[redacted]


# FINANCIAL TIMES


**EU and state aids**

*Why the French are lining up*

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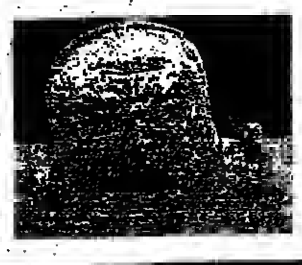

**Germany**

*The humbling of Helmut Kohl*

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**Innovation**

*Patent count is key to product prowess*

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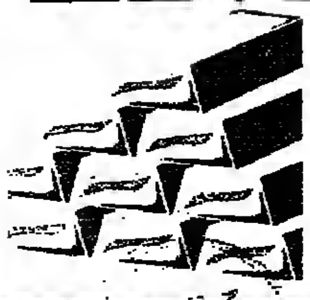


**Gold in South Africa**

*Rand hurt by high mining costs*

Page 4


World Business Newspaper http://www.FT.com TUESDAY AUGUST 5 1997


## Boeing completes takeover of McDonnell

Boeing indicated that its activities will not be limited by promises it has made to keep its new civil aircraft operations separate. The hint came as the US aircraft maker completed its takeover of McDonnell Douglas, having won European Commission backing for the move only after eleventh-hour concessions last month. The takeover creates the world's biggest aerospace and defence company. Page 12

**HSBC Holdings,** the world's biggest bank group, reported interim pre-tax up 13 per cent to £2.62bn ($4.27bn). HSBC, which owns the HongkongBank group in China and Midland Bank in the UK, surprised investors by raising its dividend from 15p to 20p. Page 13 ; Lex, Page 12; Profits growth limited, Page 14

**Cyprus peace hopes rise:** International efforts to end the 23-year division of Cyprus were boosted when Turkish Cypriot leader Rauf Denktash agreed to attend a new round of talks with Glafcos Clerides, his Greek Cypriot adversary, in Switzerland next week. Page 2

**France Telecom fined $4.8m:** UK telecoms group BT may seek damages against France Telecom now France'a competition authorities has fined its rival FFr30m ($4.8m) for abusing its dominant position after a BT complaint. Page 2

**Pearson sets 5-year target:** The media, information and entertainment group which owns the Financial Times set itself a new five-year financial target as it unveiled a jump in pre-tax profits to £81m ($132m) from £30m. Page 13; Few prizes at this quiz, Paga 17

**More CJD cases reported in UK:** Two more deaths from the "new variant" of Creutzfeldt-Jakob disease, tha human brain condition linked to the mad cow disorder, BSE, were confirmed in the UK last month. Page 6

**US joins Bosnia freeze-off:** More countries have frozen contact with Bosnia-Hercegovina's embassies to punish Bosnia's divided leadership for failing to agree on a list of its envoys. By last night, Britain, Italy, France, Germany, Spain, Sweden, Norway and the Netherlands had been joined by the US in breaking ties with existing envoys to Bosnia. Page 2

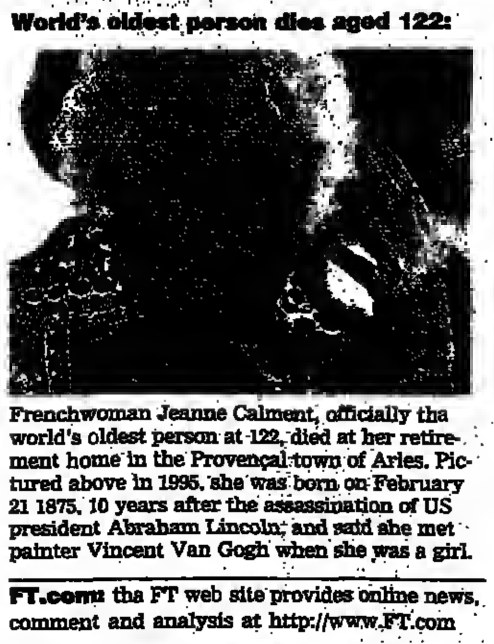
**Palladium market in turmoil:** Palladium, used in mobile phones, laptop computers, and catalytic converters, soared $12.50 a troy ounce, or nearly 5.5 per cent, in London to $239. The market's problems originate in hold-ups in Russia, the dominant supplier. Page 13; Commodities, Page 22

**Japanese telecoms link:** Analysts think KDD and DDI may eventually merge after the two big Japanese telecoms companies decided to provide joint billing and discounting of long distance and international calls. Page 13

**N Korea crops lost:** Drought in famine-threatened North Korea has devastated 70 per cent of the maize crop, according to UN agencies. "The crop is lost. It is absolutely disastrous", a UN statement said.

**GM buy-back:** General Motors, fresh from buying back $2.5bn of its stock, began a second $2.5bn repurchase – but investors sold the stock at a year's high of $64.50 on Friday.

**World's oldest person dies aged 122:**



Frenchwoman Jeanne Calment, officially tha world's oldest person at 122, died at her retirement home in the Provençal town of Arles. Pictured above in 1995, she was born on February 21 1875, 10 years after the assassination of US president Abraham Lincoln; and said she met painter Vincent Van Gogh when she was a girl.

**FT.com:** tha FT web site provides online news, comment and analysis at http://www.FT.com

| ■ STOCK MARKET INDICES | | |
|---|---|---|
| New York: lunchtime | | |
| Dow Jones Ind Av | 8,167.10 | (-26.94) |
| NASDAQ Composite | 1,602.14 | (+7.81) |
| Europe and Far East | | |
| CAC40 | 2,992.41 | (-57.03) |
| DAX | 4,296.94 | (-111.85) |
| FTSE 100 | 4,895.7 | (-3.6) |
| Nikkei | 19,868.07 | (-136.31) |

| ■ US LUNCHTIME RATES | |
|---|---|
| Federal Funds | 5 9/16% |
| 3-mth Treas Bills: Yld | 5.267% |
| Long Bond | 101 [illegible] |
| Yield | 6.481% |

| ■ OTHER RATES | | |
|---|---|---|
| UK: 3-mo Interbank | 7 1/8% | (7 3/16%) |
| UK: 10 yr Gilt | 101 [illegible] | (101 [illegible]) |
| France: 10 yr OAT | 99.47 | (99.84) |
| Germany: 10 yr Bund | 102.60 | (102.86) |
| Japan: 10 yr JGB | 106.5693 | (106.649) |

| ■ NORTH SEA OIL (Argus) | | |
|---|---|---|
| Brent Dated | $19.31 | (19.25) |

| ■ GOLD | | |
|---|---|---|
| New York: Comex | | |
| (Aug) | $323.9 | (324.7) |
| London: | | |
| close | $323.85 | (324.05) |

| ■ DOLLAR | | |
|---|---|---|
| New York: lunchtime | | |
| £ | 1.62765 | |
| DM | 1.86825 | |
| FFr | 6.29015 | |
| SFr | 1.528 | |
| Y | 118.475 | |
| London: | | |
| £ | 1.6309 | (1.637) |
| DM | 1.8639 | (1.8567) |
| FFr | 6.2863 | (6.2597) |
| SFr | 1.5255 | (1.5205) |
| Y | 118.215 | (118.055) |
| Tokyo close: | Y 118.38 | |

| ■ STERLING | | |
|---|---|---|
| DM | 3.0398 | (3.0394) |

9 770174 738128 32

# Russian premier orders halt to nickel group sale

## Legal confusion over auction of 38% stake

By John Thornhill in Moscow

Mr Victor Chernomyrdin, Rusaian prime minister, ordered a postponement of the government's sale of its 38 per cent shareholding in Norilsk Nickel last night, leaving the buge auction mired in legal confusion on the eve of its scheduled launch.

The confusion over the sale of the Norilsk stake highlights the controversy tbat surrounds Russia's latest privatisation drive as the government tries to disentangle itself from the clutches of a powerful clique of business interests.

Mr Chernomyrdin said tbe auction procedures had to be reviewed to ensure that they complied with the law, but be gave no hint of when the sale of the government's stake in the world's biggest nickel producer might proceed.

However, legal experts said last night the government could not change the terms of the tender as it had already received bids. On Friday, two bidders lodged firm offers for the shareholding.

Norilsk Nickel is potentially one of Russia's most valuable companies, controlling 35 per cent of the world's nickel reserves. The government's stake has an estimated open market value of more than $750m. It had heen assumed that the powerful Oneximbank group, which bas been managing the government's shareboiding for the past two years, would win the auction today. Only one other, unidentified, company had expressed interest in hidding.

The government has been under pressure from opposition politicians and rival husiness groups to postpone the sale. The terms of the auction, heing organised by an affiliate of Oneximbank, are alleged to bave unfairly favoured the incumbent investor.

Oneximhank said yesterday that it bad received no official instructions from the government and planned to go ahead with the sale today.

In an earlier controversial deal in November 1995, Oneximbank had lent the government $170m in return for managing the state's 38 per cent shareholding. As a result, Oneximbank has gained inside knowledge of the company's finances and operations and fully expected to win full ownership of the stake.

Trans-World Group, the British metals company, bad expressed a preliminary interest in competing for the shareholding but said the terms of the auction were designed to deter outside hidders.

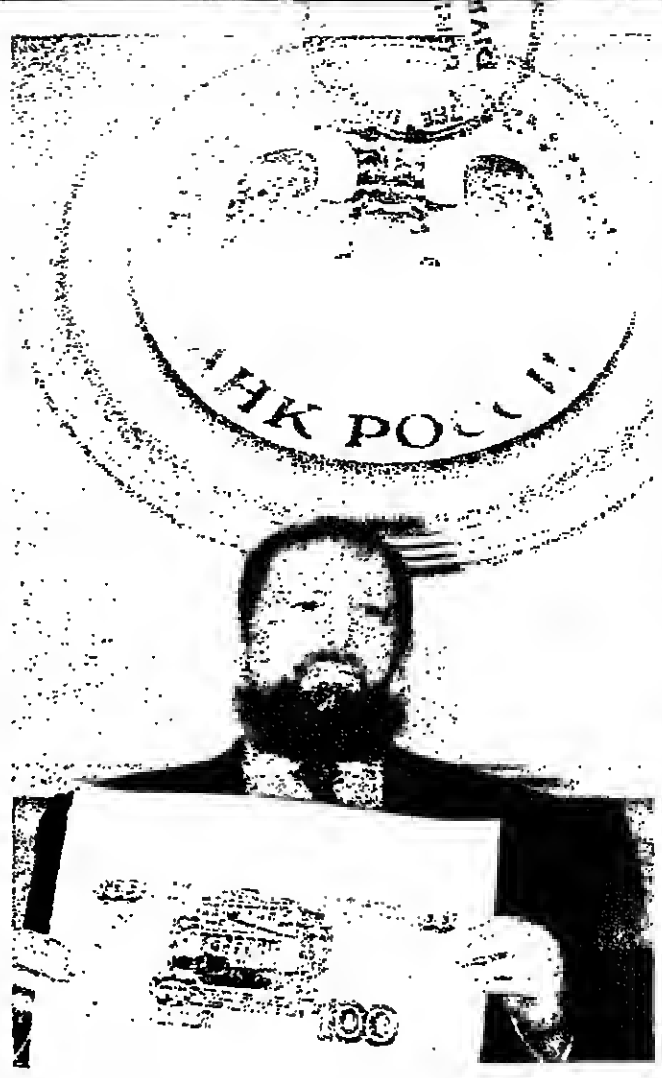
Since Mr Boris Nemtsov's appointment as first deputy prime minister in March, the government has been promising that a new era of open competition would apply to all privatisations.

But the policy provoked controversy last month wben the government sold a 25 per cent stake in Svyazinvest, the telecommunications holding company, for $1.9bn to an Oneximbank-led consortium.

The losing bidders, which control a range of media outlets, appeared to back a media assault against Mr Nemtsov and otber members of the government connected with the privatisation process.

Ms Julia Dawson, head of Russian equity research at ING Barings bank in London, said that, if confirmed, the postponement of tbe Norilsk Nickel auction would be bad news for the company's share price in the short term but good news for the overall market in the long term.

"This would show that the government is listening to tbose who say it is selling these assets for less than they could and is showing a greater level of professionalism," she said.



## Reform aims to revive rouble

Rnssia's central bank said yesterday it planned to redenominate the ronble from next January by knocking three nonghts off banknotes of 1,000 roubles and above.

Central bank chairman Sergei Dubinin is pictured above showing the design of the new 100-rouble note.

President Boris Yeltsin promised Russians that, unlike nther currency reforms since 1945, the change would not affect tbeir personal savings. "I gnarantee you tbis as president," be said.

The reform is intended to simplify curreocy transactions, counter inflation, and speed the de-dollarisation of the economy. On some estimates, the valne of US dollar notes circulating in tbe economy is greater tban tbe ronble money snpply. Report, Page 2; Editorial Comment, Observer, Page 11 Picture: Reuter

# ABB faces ultimatum over $5bn Malaysia dam deal

By James Kynge in Kuala Lumpur and Stefan Wagstyl in London

Mr Ting Pek Khiing, the Malaysian businessman managing the the country's controversial M$13.6hn (US$5.2hn) Bakun dam project, yesterday threatened to cancel the construction contract of Swiss-Swedish engineering group ABB unless key conditions were renegotiated.

"The project must go on. The contractor can be changed," Mr Ting said, raising the stakes in negotiations with ABB over tbe project's future.

Mr Ting warned that raising bank finance for the project would be difficult unless the building contract with a consortium led by ABB was renegotiated.

"Tbe contract is in sucb a way that you cannot borrow money. We told ABB that if there's no money, what is tbe use of the contract?" Mr Ting said.

His comments follow a statement last week by Mr Mahathir Mohamad, the prime minister, that there was a possibility of breaking tbe current engineering, procurement and construction contract if differences could not be resolved. ABB and Mr Ting are due to meet again this month.

ABB said tbe two sides agreed at a meeting in mid-July to review all outstanding issues and meet again in August. It declined to comment on the substance of the disagreements.

The project ran into financial difficulties after Ekran, Mr Ting's flagship company, failed in a June rights issue to raise the funds it needs to buy a 32 per cent stake in Bakun Hydro-Electric Corporation, the company which is to own the dam. Bakun's stock market flotation has been repeatedly postponed.

Executives familiar with the negotiations said that several sticking points between Mr Ting and the ABB consortium have emerged. The first is over


Continued on Page 12


# Strong pound and strike hit BA profits

## Shares fall as cost of dispute is put at £125m

By Michael Skapinker, Aerospace Correspondent

British Airways said yesterday tbat last month's three-day strike by cabin crew would cost tbe airline £125m ($203.7m) – much higher than analysts' most pessimistic forecasts.

BA's shares dropped 30p to 610p on the London Stock Exchange, a fall of 4.7 per cent, which made the company the worst performer yesterday among the leading companies in the FTSE 100 index. Investors were also taken aback by the damage the strong pound was doing to BA's profits.

The strength of sterling cut profits by £77m in the three months to the end of June, the first quarter of the group's fiscal year. Aviation analysts had predicted the strong pound would damage profits badly over the full year. Passenger yields – the amount customers pay for each kilometre flown – fell 2.4 per cent in the first quarter because of sterling's strength.

Analysts, who bad estimated the dispute to cost between £80m and £100m, downgraded full-year forecasts after BA announced that first-quarter operating profits fell 28.2 per cent to £140m. Tbe strike reduced first-quarter profits by £15m, with the remainder of the £125m loss expected in the second quarter.

Mr Robert Ayling, BA's chief executive, said the difficult operating environment sbould demonstrate to staff wby be needed to cut costs by £1bn by the turn of the century. He boped cabin crew would now understand the effect the strike had had on BA.

Mr Ayling shrugged aside questions about whether he had any regrets about the tough attitude he bad taken to tbe strikers, which included warnings that they could lose their jobs and be sued for damages. He said: "I'm very pleased ahout one aspect, which is that we've been able to get across our message about the need for change."

Cabin crew belonging to ooe union called their strike after alleging that BA had imposed a new pay structure without negotiation. The union has, bowever, now accepted BA's goal of cutting cabin crew costs by £42m and the two sides are attempting to negotiate a settlement.

Mr Ayling said: "Our managers are being extremely sensitive to the fact that it's been a difficult time. Being understanding is the most important thing at the moment. I'm the first to understand that people find changes of the sort that we believe are necessary difficult."

BA's aircraft were full but the airline would he forced to introduce price discounts once the summer season was over in an attempt to win hack business lost during tbe strike.

Pre-tax profits in the first quarter rose 46.7 per cent to £220m, boosted by two exceptional items – the £130m profit from the sale of its US Airways stake and a £50m profit from


Continued oo Page 12
Lex, Page 12


# US faces severe disruption as United Parcel staff strike

By Richard Tomkins in New York

Businesses across the US faced severe disruption after workers at United Parcel Service, the country's largest package delivery company, began an indefinite strike yesterday.

UPS acknowledged that a strong majority of its 185,000 uninnised workers had observed the strike call, leading to the cancelling of most of its domestic services, except the delivery of urgent medical supplies.

The company estimates that the goods it transports each day account for more than 5 per cent of US gross domestic product. It carries about 12m packages daily – about 80 per cent of the US package delivery business. Its competitors, mainly tha US Postal Service and Federal Express, lack the capacity to take up the slack.

The US Postal Service was limiting customers to four parcels per visit, while Federal Express was turning away new acconnts and rationing the number of parcels it would accept from existing customers.

UPS said it was dne to hold talks with White House officials and would ask President Bill Clinton to intervene if the strike continued. Last Fehrnary, Mr Clinton ended a strike at American Airlines, intervening under the Railway Labour Act. But to halt the UPS strike he would have to use the Taft-Hartley law to order a mediation board to settle the dispute.

Yesterday, Mr Clinton said UPS and the International Brotherhood of Teamsters, which represents the striking workers, should settle the dispute themselves.

"UPS is a very important company to our country, and there are a lot of employees there, and I hope they'll go back to the table," Mr Clinton said. "At this time I don't think any further action hy me is appropriate."

The strike began at midnight on Sunday after the Teamsters walked out of talks at the Federal Mediation and Conciliation Service.

The dispute is over tbe terms of a new labour contract. One point of contention is a company proposal to replace the existing pension plan, which is controlled by the Teamaters, with a new fund controlled jointly by the union and the company.

The other main issue is the company's use of part-time workers, who account for 60 per cent of the workforce and are paid lower hourly rates


Contiinued on Page 12



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Hopes rise after leaders of Greek and Turkish Cypriot communities agree to continue talks

# Boost for Cyprus peace process

By John Barham in Ankara

International efforts to end the 23-year division of Cyprus received a further boost yesterday when Mr Rauf Denktash, Turkish Cypriot leader, said he would attend a new round of talks with his Greek Cypriot adversary in Switzerland.

For weeks, Mr Denktash had warned that he might stay away from the United Nations-sponsored negotiations, due to begin in Montreux next Monday, in anger at the European Union's decision to open membership negotiations with the Greek Cypriot government while excluding Turkey. However, international pressure on Mr Denktash and his only backer, the Turkish government, has persuaded him to attend the talks even if diplomats are less confideot that they will lead to a settlement.

*Last week Mr Denktash and Mr* Glafcos Clerides, president of the internationally recognised Greek Cypriot government, met twice in Nicosia at the UN's instigation to discuss humanitarian issues.

Greek Cypriot officials hailed as a "most significant breakthrough" an agreement that could lead to the opening of unmarked graves of people killed in clashes between the two communities. There are 1,619 Greek Cypriots missing since the 1974 Turkish invasion and 803 Turkish Cypriots missing during violence in the 1960s.

Earlier in July the two men met at Troutbeck in rural New York state for a *first* round of talks organised by the UN. Next week's encounter is expected in build oo the success of that meeting and advance towards a permanent settlement for Cyprus, partitioned aince Turkey's invasion after a short-lived pro-Greek coup.

Both sides have agreed oo the basis for a settlement. Cyprus would be united in name only, since settlement by Greek or Turkish Cypriots outside their enclaves would be limited. Each community would be responsible for its own affairs and would elect a federal government with limited authority.

However, previous peace talks foundered on the powers of the central government and the right of Greek Cypriots to return to or recover property in the northern Turkish zone. Turkish Cypriots resist Greek *Cypriot demands for* withdrawal of tha 30,000 mainland troops on the island. European diplomats, while heartened by the progress so far, warn against expectations of a breakthrough in Montreux. One diplomat said: "The atmospherics have changed, but not the fundamentals."

The west, particularly the EU, has leverage over Mr Clerides, who wants to bring Cyprus into the Union, but less over Mr Denktash. Western capitals led by Washington have piled pressure on Ankara to persuade him to keep talking. A Turkish foreign ministry official said: "We realise that if Denktasb did not go, *the other side would* exploit the situation."

Relations between the EU and Turkey have deteriorated sharply in the last two years, limiting the ability of European governments to influence Ankara.

# France Telecom fined $4.8m

By Andrew Jack in Paris

BT, formerly Britisb Telecommunicstions, is considering seeking damages against France Telecom after a judgment against its rival by the French competition authorities.

The competition council fined France Telecom FFr30m ($4.8m) for abusing its dominant position, in the wake of a complaint from BT related to a contract negotiated with the French insurance group Axa in 1993.

The fine, which is subject to appeal by France Telecom, opens the way for BT to seek additional damages and interest.

A spokesman for the UK-based company said yesterday that it would probably seek damages: "We are very happy with the judgment."

The council took its decision against France Telecom at a politically sensitive time for the national operator, when it is being forced to adapt to more open European competition from the start of 1998 and while its partial privatisation has yet to be formally decided.

Tbe company had disclosed details of the ruling in recent filings that it was forced to make with the US regulatory bodies ahead of its planned partial privatisation.

*The documents said that* the competition authorities could impose a fine of up to 5 per cent of the group's annual turnover, although such a large sum was only theoretical.

In an opinion issued at the start of July – hut made public only yesterday – the competitioo council ultimately fined France Telecom FFr20m for abusing its legal mooopoly, and imposed an additiooal levy of FFr10m on its Transpac subsidiary for abuse of its dominant position.

It ruled that the French telecoms giant had tried to limit access by BT's subsidiary, BT France, to the country's market when Axa opened discussions for a renewal of its communication links with its 3,600 general insurance agents.

The existing contractor, Transpac, won the reoewal of its contract in a competition against BT France after France Telecom agreed to reduce the prices of its existing contract.

France Telecom said yesterday it had not decided whether to appeal against the decision.

However, it stressed that the telecoms market had changed fundamentally since the time of the contract and that such a situation would be handled differently in the future.

# France is next on list for the competition crusader

Fresh from his victory over the US aircraft giant Boeing, Mr Karel Van Miert, the European Union's competition commissioner, is gearing up for an autumn offensive – this time closer to home.

Top of his agenda when he returns from the summer break *will be a string of* controversial state aid demands from France, with Crédit Lyonnais, the state-owned bank, leading the way. But the man who stood up to the US and won may find that France is a tougher opponent.

On paper, the issues are clear. The EU's founding treaty prohibits state aid in principle because it distorts competition in the free market. The Commission can make exceptions – for example, when the aid is required to rescue a company and return it to viability – but when this happens, tough conditions are attached.

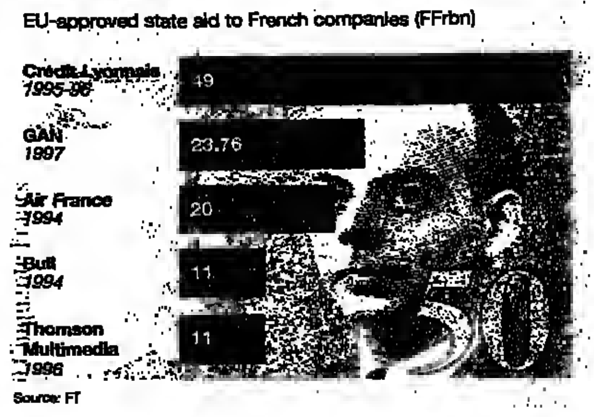
In the highly politicised world of state aid policy, France has made a habit of putting these rules to tbe test.

The country which two years ago broke all records with a FFr45bn ($7.26bn) hail-out of Crédit Lyonnais fiercely defends a traditioo of rescuing companies that in a genuinely free market would soon disappear.

Furthermore, France, a founder-member of the EU and one of its most influen*tial members, expects to get* its own way with the Commission. Whatever the arguments about competition, it is certain to exert heavy pressure.

**Helping hand or unhelpful handout**

EU-approved state aid to French companies (FFrbn)




It is therefore unlikely that any of the pending aid requests will be turned down. The test for Mr Van Miert will be the severity of the conditions he attaches in return for approving them.

In particular, competitors will expect him to impose privatisation as the ultimate condition – a demand that would be unpopular witb France's new Socialist-led government.

Last week there were signs that Mr Van Miert will offer France a more sympathetic ear than be did the US over the Boeing merger.

The Commission approved a staggering FFr23.76bn aid package for GAN, France's state-owned iosurance group, albeit with a number of strict conditions attached. Tbese included a commit*ment by the government to* sell GAN and its banking subsidiary CIC by next June.

Meanwhile, a documeot was en route from Paris to Brussels outlining a revised restructuring plan for Crédit Lyonnais.

Under an earlier rescue plan approved by the Commission, the bank – a victim of its own irresponsihle expansioo in the 1980s – was due to be sold by the year 2000.

But the conditions imposed by Brussels proved too tough, causing the payment of a further FFr3.9bn in emergency aid, on top of the FFr45bo already granted, and the abandonment of the original restructuring plan.

The revised plan does not envisage a quick privatisation of tha troubled bank, an omissioo which could trigger a fight with Mr Van Miert. "Privatisatioo is not the focus of the plan," confirmed a French government spokeswoman.

*Other cases* over which the Commission will be keeping a close watch include Société de Marseillaise de Crédit, under investigation by Brussels for a FFr3bn state aid handout granted last year.

There have also been rumours that Caisse Nationale de Prévoyance, France's largest life assurance goup, is looking for a recspitalisation ahead of privatisation.

Brussels is also keeping a *suspicious* eya on Crédit Foncier de France, the troubled mortgage-lender taken over by the French *state*. It had opened an investigation into a state aid payment dished ont last year, of which it was not eveo notified. The aid was later cancelled *after* tha state-appointed "governor" of tha bank said CFF could survive until the end of 1998 without refinancing.

But *the case highlighted* another problem the Commission has with France – its reluctance to obey treaty rules and notify Brussels of all large restructuring aids.

Of 13 state aid investigations into French cases opened by the Commission last year, only five were formally notified to Brussels. The other eight were tracked down by diligent Commission officials.

Amid *this* plethora of cases from France there will be some significant Spanish and German diversions for Mr Van Miert.

But if the industrious Belgian wants to maintain his reputation as a crusader for fair competition, he will *have to steel himself to* challenge France in the same way that he recently took on tha US.

**Emma Tucker**

# Russia seeks to revive the rouble

By John Thornhill in Moscow

Kopeck coins, which lost so much of their value in the early 1990s that metal traders started selling them for scrap, will come back into circulation in Russia next year after the central bank annnunced plans yesterday to redenominate the rouble.

From the beginning of 1998, three noughts will be knocked off the Russian currency, turning a Rbs50,000 banknote – worth $8.60 – intn one of Rbs50. The return of tha kopeck should also make it easier in future in make telephone calls and *take metro rides.*

The reform is intended to simplify currency transactions, counter inflationary expectations, and speed the de-dollarisation of the economy. On some estimates, the value of US dollar notes circulating in the Russian economy is greater than the rouble money supply.

President Boris Yeltsin promised the currency reform would be achieved without the "stresses and npheavals" that have accompanied previous redenominations of the rouble.

"During the last 50 years everything connected with monetary reform has invariably hit the common people," Mr Yeltsin said in a *statement. "This time this is* ruled out. I guarantee you this as president."

The Russian authorities were at pains yesterday to explain that no one would lose any money as a result of the redenomination. They are setting up a telephone hotline to *explain* tha facts to the public.

Mr Sergei Dubinin, Russia's central bank governor, said the new notes, which are identical in design in the existing notes apart from their stated valne, would be gradually introdnced over the course of next year as the old notes were withdrawn.

"We hope that the new heavy and firm rouble will further gain in strength. We are confident we will be able to maintain a stable currency exchange rate against convertible currencies," said Mr Dubinin.

The Russian public have a deep – and well justified – suspicion of currency *reforms*, which hava often been a disguised means for the government to steal their savings.

In 1947, Stalin introduced a currency conversinn decreeing that 10 old ronbles should be exchanged for one new one. In effect, the government confiscated people's savings in order in eliminate tha repressed inflation created during tha war years.

*A similar* currency reform in 1961 proved extremely unpopular and was one of the factors leading to tha subseqnent dnwnfall nf Nikita Khrushchev as Soviet leader.

# UK managers 'complacent'

Organisers of a recent seminar were surprised at level of ignorance about Emu

By Wolfgang Münchau, Economics Correspondent

**Preparing for Emu**

At a recent Emu workshop in the UK, a group of finance directors and treasurers displayed so much ignorance about the European Union and the single currency that the moderator found it difficult not to embarrass some participants, who were mostly long-standing clients.

When asked, one finance director insisted that the EU had 12 members. A colleague insisted that the EU had in fact 19 members. Later, another estimated that Norway had about a 75 per cent chance of being a member of Emu in the first round. The moderator said tbat the managers were all from well *known UK companies.*

With less than 17 months to go until the scheduled launch of the single European currency, large sections of European industry are less well prepared for economic and monetary union than several US coonglomerates, according to senior Emu advisers.

There is growing concern that different levels of preparedness could lead to disruption. US conglomerates and some of the big EU motor and chemical groups are considered among the best prepared.

So far, most attention has beeo focused oo technical preparations, such as the change-over of computer systems and internal business systema. While all of this is considered necessary, the main impact of Emu could be strategic. If Emu turns out to be deflationary, as some forecasters predict, prices will come down to the lowest levels. Faced with price transpareocy, companies will no longer be able to charge differential prices across the EU, as is common in many industries. In an extreme situation this could lead to a aqueeze on margins, and possibly to company failures. Unprepared small and mid-sized companies are at greatest risk.

"There will be major casualties," said Mr Colin Stringer, co-ordinator of Emu activities at Cap Gemini, the husiness consultancy. "We don't predict who they will be but there will be casualties in every sector. It will start with loss of market share in a short period of time, and may lead to mergers and acquisitions."

According to Mr Stringer, "There are a lot of people out there who are well mobilised, but the scary thing is that there are senior people, also within the banks, who have not got a clue what is going on."

Most seemed confused about the dual-currency arrangements in the period between 1999 and 2002, during which companies and individuals have a choice of using either euros or national currencies under the "no compulsion – no restriction" rula.

In an internal survey, Barclays Bank found that 75 per cent of UK companies made *no preparations for Emu*, while 21 per cent made only minimal preparations.

An international business consultancy, which is working primarily in the financial sector, also found strong differences in the level of preparedness. Its senior Emu adviser claims best-prepared financial institutions iocluded Americans – he mentioned Goldman Sachs, Salomon Brothers, Merrill Lynch and JP Morgan – and some of the larger continentals – including Deutsche Bank and ABN-Amro. Laggards included several second-tier continental institutions and even some large financial groups in the UK.

Organisers of a recent Emu seminar were surprised when their guest speaker – a finance director of a well-known manufacturing company – announced to an audiaoce of fellow directors that "too much fuss" was being made about the whole project. He added that his company decided to keep preparations to a minimum.

Emu advisers say this attituda could be dangerously complacent because companies may underestimate the *strategic effect of Emu.* But if Emu was to affect the strategic line-up in European industry, companies would be affected, even if their home country does not join Emu.

# Protest at Croat attack on Moslems

By Anatol Lieven in London

International officials in Bosnia protested to Bosnian Croat authorities yesterday after Croat mobs drove returning Moslem refugees *from the Jajce area under threat of* death, and atoned vehicles of UN police and the Nato-led SFOR peacekeeping force.

Mr Carlos Westendorp, chief inter*national* negotiator, said evidence showed the local Croat police had played a part in the expulsions. He called for the people responsible to be punished, including the removal from office of those "politically responsible". The UN police are to report on the expulsions in a week.

Separately, a crowd of Moslem women in the Vogosca suburh of Sarajevo rioted *against Serbian* refugees negotiating with the local Moslem authorities for a return to their homes.

Many of their menfolk are believed to *have been killed* wben *Serb forces* stormed Srebrenica in 1995. Mr Westendorp has appealed to Moslem authorities to stop the violeoce.

Eveo before the latest incidents, pressure *on all three national* authorities in Bosnia was growing. Yesterday, Mr Robin Cook, British foreign secretary, said the Foreign Office was suspending contact with the Bosnian chargé d'affaires in London.

Mr Cook, recently back from a tour of the former Yugoslav states, said he was taking this step because *the Bosnian triple presidency failed* to meet Friday's deadline for agreement on appointment of Bosnian ambassadors. The three national authorities in the "joint presideocy" *have been arguing over how many* embassies should go to each of them.

On Friday, Mr Westendorp "stopped the watch" until midnight last night to give the Bosnian groups a last chance to reach agreement. But international officials beld out little chance they would agree. Mr Westendorp has asked that in this case, the international community freeze cootacts with existing Bosnian ambassadors.

The three national leaderships face imminent international deadlines over agreement on new citizen*ship laws and restoration of a civil* aviation authority, on August 15 and 21 respectively. Talks on both issues are at present deadlocked.

About 450 Moslems have been driven from tha town of Jajce and surrounding villages over the past three days. They had begun to return to this region about three weeks ago, after fleeing when the town fell to the Bosnian Serbs four years ago. In 1995, it was taken by the Croats.

On Wednesday, Mr Alija Izetbegovic, Moslem representative on the three-man presidency, is due to meet President Franjo Tudjman of Croatia in an attempt to give more reality to the "Moslem-Croat Federation".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EUROPEAN NEWS DIGEST

## Turkish forces expel Islamists

Turkey's armed forces have expelled 73 men suspected of links to Islamist organisations, following an annual three-day council to decide promotions and military policy. The rigidly secularist generals had reportedly drawn up a list of over 300 men suspected of holding Islamist sympathies, but agreed to government suggestions that a quarter of them be purged now. The remainder will be monitored and their cases will be reviewed in December.

*The army, fearing Islamist attempts* to infiltrate supporters into its ranks, often expels soldiers who are suspected of deviation from the secularist principles of Kemal Atatürk, the military leader who founded the secular state in 1923. *John Barham, Ankara*

■ FRENCH GROWTH

## Forecast revised downwards

The French state bank Caisse des Dépots et Consignations said yesterday it had revised downwards its growth forecast for the second quarter because of a slowdown in industrial production and consumption. However, the bank was more optimistic for the third quarter.

It forecast growth of 0.5 per cent in the second quarter, compared with an earlier forecast of 0.7 per cent. GDP growth was 0.2 per cent in the first quarter, and the national statistics office Insee is forecasting expansion of 1.2 per cent in the second quarter. *CDC said elections* in Juna had contributed to the slowdown. It forecast stronger growth in the third quarter, helped by foreign trade and favourable exchange rates. *Reuter, Paris*

■ BASQUE SEPARATISTS

## Spain probes criminal links

Spanish authorities are investigating possible links between the Basque separatist group Eta and drug-trafficking, prostitution and money-laundering, an interior ministry official said yesterday. The police and Civil Guard may have new clues on how Eta finances its operations after the arrest last month of four rebels who held a Spanish prison worker, Mr Jose Antonio Ortega Lara, hostage for a year and a half. "One of those detained when Ortega Lara was freed had a number of husinesses linked to money-laundering," the interior ministry official said, speaking on condition of anonymity.

Mr Jaime Mayor Oreja, interior minister, in a weekend interview with Spanish news agency Europa Press, called Eta a "*mafia which functions like other organised crime* networks". *Reuter, Madrid*

■ GERMAN FLOODS

## Unexploded bombs halt work

Soldiers building a back-up dyke along the swollen River Oder in eastern Germany had to stop work temporarily *yesterday when unexploded second world war bombs* were discovered in a gravel pit. Workers digging up gravel found seven small German-made bombs, a mine and several grenades in the pit near Reitwein, a village in the Oderbruch flood plain north of Frankfurt an der Oder.

Elsewbere along the 160 km dyke, soldiers and volunteers have patched up small ruptures and officials said that the river was continuing to recede slowly after three weeks of flooding. "The worst has been prevented," said an *army spokesman*, Mr Andreas Poppel. "We're holding the dyke." Flooding and harsh weather have also killed 15 people in Romania's far northwest and severe storms have caused flooding and landslides in the south of the country. *AP, Frankfurt an der Oder*

■ FORMER EAST GERMAN LEADER

## Krenz seeks acquittal

Defence lawyers asked a court yesterday to acquit Mr Egon Krenz, the last Communist leader of former East Germany, of manslaughter charges in the shooting deaths of people trying to flee to the west. In his closing arguments for the defence, Mr Robert Unger said Mr Krenz, as a former Politburo member, might bear some "political-moral responsibility" for the deaths, but that the rule of law should prohibit united Germany from prosecuting him now.

East Germany was not a sovereign state when it came to military and defence matters, but was forced to defer to the then Soviet Union, he said. Mr Krenz read a statement saying that "my socialist philosophy and the accusation of killing people do not fit together". He added: "I have never used a word to justify killings." Mr Krenz, 60, is on trial for manslaughter along with the former East Berlin city Communist party chief Mr Günter Schabowski, 67, and economics expert Mr Günter Kleiber, 65. *AP, Berlin*

■ BULGARIA

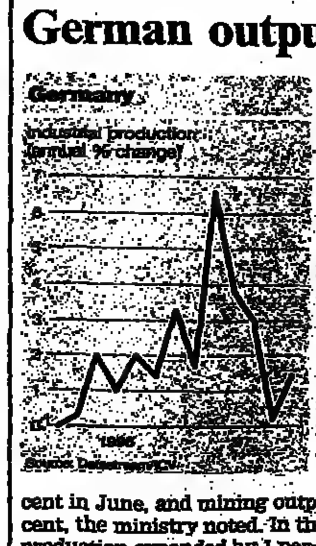
## Balkanbank declared insolvent

The Sofia City Court has declared state-owned Balkanbank insolvent on the basis of a claim filed by the Bulgarian National Bank (BNB), a BNB official said yesterday.

Balkanbank is the ninth local commercial bank declared insolvent by courts so far out of a total of 17 state and private banks, or a third of Bulgaria's banks, against which the BNB has opened bankruptcy proceedings since May 1996. The BNB put Balkanbank into receivership last September on the basis of a capital to risk assets ratio of minus 37.85 per cent and outstanding payments of 5.47bn levs ($2.95m). It is the third state Bulgarian bank ruled insolvent after Mineralbank and Economic Bank. *Reuter, Sofia*

ECONOMIC WATCH

## German output up 1.4%




German industrial output rose a seasonally adjusted 1.4 per cent in June from May, the economics ministry said yesterday in a preliminary report. On a year-on-year basis not adjusted for seasonal influences, output in June surged by 7 per cent. The month-on-month rise is *slightly below analysts'* expectations. In a survey by Dow Jones, analysts forecast an average seasonally adjusted rise of 1.8 per cent in June from the previous month.

Construction rose 6 per cent in June, and mining output was up around 2.5 per cent, the ministry noted. In the manufacturing sector, production expanded by 1 per cent, the ministry said.

Preliminary May month-on-month data were revised to show a drop of 1.5 per cent from April, compared with the 0.2 per cent fall originally reported. May output declined 4.9 per cent compared with May 1996, instead of the 3.5 per cent fall reported last month.

The ministry said June data were still considered preliminary and might be revised. *AP-DJ, Bonn*

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White House favours 'somewhat sparing' use of controversial line-item veto on historic legislation

# Clinton may tinker with tax cuts bill

By Bruce Clark in Washington

The White House is debating whether to tinker with the historic tax-cutting bill, which President Bill Clinton will sign into law today, by using a new and hotly contested constitutional device.

The device, widely used by state governors and known as the line-item veto, entitles the president to strike down specific aspects of a spending or taxation bill without blocking an entire law. Supporters of the veto say it enables the executive to combat the worst practices of "pork-barrel politics" in which measures favourable to small interest groups are slipped into important bills.

"I support the line-item veto...and if we have it, I think it ought to be used," Mr Clinton said yesterday. But his experience as governor of Arkansas had taught him to be "somewhat sparing" in his recourse to the controversial device.

In June, the Supreme Court used a technicality to uphold the veto. A challenge to the law by six legislators from both political parties was thrown ont by the Supreme Court on grounds that they had suffered no injury. But the ruling left the way open for a fresh constitutional challenge as soon as the veto is invoked and some interest group suffers damage.

Under the law, the president can delete a specific item of spending, an increase in entitlements or a narrowly targeted tax break within five days of signing the bill that contains them. A congressional joint committee on taxation has identified 79 provisions in the tax-cutting bill that could be subject to a veto, including privileges for New England cider producers and export credits for software manufacturers.

But the White House search for an appropriate first use of the veto will be guided by the chances of winning a constitutional argument rather than the merits of the case.

"The president will choose his ground carefully, and he is more likely to excise some spending item, where he would have the strongest possible case, than a tax break," said Mr Bruce Bartlett, a fellow of the National Center for Policy Analysis.

Mr Richard Gephardt, the House minority leader, said the presideot sbould use his line-item authority to quash a concession to the tobacco industry entitling companies to use revenues raised by a new cigarette tax as a credit against the $368bn bill they face under the tobacco settlement.

## Strike accord signals pension shift

By John Authers in New York

The longest and most acrimonious steel strike in recent US history finally ended this weekend with an agreement that could jeopardise the shift in the nation's corporate pension plans towards funds managed directly by Wall Street.

Members of the United Steelworkers of America had been on strike for 10 months against Wheeling-Pittsburgh Steel in an attempt to maintain a "defined benefit" pension with guarantees of a fixed level of pension linked to a worker's length of service.

The dispute became highly acrimonious. It was the first significant resistance to the growing popularity of "defined contribution" plans where the final pension payable would depend on the performance of the market. Unions saw the strike as a test of the principle that employers should provide a guaranteed pension.

Corporate managers last week agreed a compromise. Employees were offered a fixed benefit plan in return for job cuts which will reduce the workforce by about 19 per cent. According to Mr John Scheessele, chief executive: "Our negotiators were able to find ways to provide benefits for our employees that are affordable for the company." This is thought to involve offering final salary guarantees which are no more expensive for the company than the proposed defined contribution would have been.

The United Steelworkers of America said: "There's a principle being set here." It made clear that it expected a company to offer a pension which was "secure, so you know what you are going to get". The union was also concerned that defined contribution plans were not subject to federal guarantees, which have in the past ensured that workers on defined benefit pensions from bankrupt companies continued to receive at least some payment.

The move is important because the last decade has seen a huge shift towards defined contribution pensions, aided by tax concessions offered 15 years ago through so-called 401(k) plans. Companies can contract out administration, record-keeping and investor education to fund managers by moving to a 401(k) plan.

The 401(k)s have been popular with employees so far, in part because equity markets have grown strongly for most of the time since they were introduced.

Any organised resistance to the shift could be damaging for fund managers. From 1992 to 1995 alone, the amount of 401(k) money placed in mutual funds increased from $54.3bn to $260.8bn, and the plans account for most of the fund management indnstry's growth of the last few years.

# Mexican party leans towards left

## Humiliated at polls, PAN faces calls to change, writes **Daniel Dombey**

The setting was as traditional as could be. But amid the colonial splendour of a centuries-old hacienda, replete with shrines and devotional paintings, Mexico's main opposition party last weekend vowed to bring itself np to date.

The traditionally Catholic and conservative National Action party (PAN) was licking its wounds after its disappointing performance in July's mould-breaking elections.

The elections catapulted hundreds of opposition politicians into parliament and won widespread praise for fairness. But the PAN, which for years supposed it would win the country's first fully democratic elections, saw its overall percentage of the vote barely increase and suffered a humiliating third place in Mexico City.

Last weekend, the party lurched to the left, embracing policies calling for a more active state role in economic and social life. The shift of stance could have momentons consequences, not only in Congress, where the combined forces of the opposition enjoy a majority for the first time, but in the race to replace the ruling Institutional Revolutionary party (PRI) in the presidential palace in 2000.

With a quarter of the vote, the PAN remains the strongest alternative to the PRI and is likely to wield the balance of power in Congress. The PRI is still the largest force in the important lower house, with 239 of 500 deputies, according to provisional results. The leftist Party of the Democratic Revolution (PRD) has 125 deputies, thanks to its success in directly elected seats, while the PAN has 122, despite winning a slightly higher share of vote than the PRD.

To date the PAN's traditionally minded hierarchy has shut out the more electorally successful politicians who are the chief proponents of change. It remains to be seen whether the PAN's transformation will move fast enough or run deep enough to win the presidency.

Vicente Fox: at the centre of the fight to modernise the party, and the only declared presidential contender Popperfoto/Reuter

At the centre of the fight is Mr Vicente Fox, the plain-spoken governor of the central state of Guanajuato, currently the ouly declared contender of any party for the presidency.

Although in the past the party has emphasised its support for a smaller state, voting frequently for widespread privatisation and trade liberalisation, and has become notorious for pronouncements by local politicians against miniskirts and condoms, Mr Fox argues the PAN should leave traditional dogma behind.

For the likes of the governor, mnch of the party's platform seems not only antiquated but also electorally damaging. "We have to reinvent the party," he says. "We should forget all this stuff about abortions and condoms. The PAN is not and should not be a right-wing party, a Catholic party or a neo-liberal party."

Far from continuing the PAN's traditional line on low taxation, Mr Fox suggests larger government may be necessary to provide the country with the educational and physical infrastructure more industrialised nations already have.

But Mr Fox and his direct manner remain a very controversial topic for many of the party's sympathisers, who would prefer the PAN to stay true to its origins.

"The PAN is basically a party of provincial elites and that makes it a minority party," says Dr Soledad Loaeza, a political scientist at the Colegio de México, who argues that the party should exercise caution before it trades in its pro-market stance for a more Christian Democratic approach. "And Fox is barely a member of the party. He is more like an American." Other party supporters scarcely contain their disgust at Mr Fox's populist approach.

Mr Fox's defenders say he is more in touch with the changing nature of Mexico's electorate, which is more urban than in the past.

Despite such divisions, the PAN leadership agrees that the party's policies should become more moderate. "We are a party of the centre," says Mr Felipe Calderón, who became PAN leader last year. "It is hard to show that the party is committed to pluralism, modernity and liberty if our politicians sporadically display traits of intolerance or conservatism."

The PAN's longer-term problem may be that it is a victim of its own success. After six decades calling for democracy, the party has to make the transition from party of the opposition to one with a concrete programme of government.

Despite its record at the local level – the party won two state governorships in the July 6 elections to bring its current total to six – the PAN's experience of national power has been unhappy to date. The party's representative in an experiment at pluralism in President Ernesto Zedillo's government, Mr Antonio Lozano, a former attorney general, was sacked amid mutual recriminations.

A crucial test will be whether the PAN's congressmen will ally more with the ruling PRI or with the left-wing Party of the Democratic Revolution, which overtook it as the second force in the lower, more powerful House of Congress. The strains within the party will make it difficult to come up with a coherent approach.

"It was hard enough for John Kennedy to put a man on the moon in 10 years," says Mr Fox. "For the opposition to win the presidency of Mexico in the three years remaining is harder still."

# Opposition alliance to challenge Peronists

By Ken Warn in Buenos Aires

Argentina's ruling Peronist party yesterday dismissed the formation of an alliance between the two main opposition parties as "electoral trickery".

The pact between the centrist Radical party and the centre-left Frepaso, announced at the weekend, had been prompted by the desire to avoid certain electoral defeat, said Mr Carlos Corach, interior minister.

The two opposition parties will run joint lists of candidates in the key battlegrounds of the federal capital and Buenos Aires province in the October 26 mid-term elections, in which half the seats in the lower house of Congress are at stake. The pact may be extended to other provinces for October and the alliance will attempt to offer a single candidate in the 1999 presidential elections.

"This is an important political change," said a political analyst, Mr Rosendo Fraga. "With a united opposition the Peronists run the risk of losing their congressional majority in October. It raises the question of how President Carlos Menem would govern during the remainder of his presidency."

Both the Radicals and Frepaso have strongly attacked the government on issues such as corruption and persistent high unemployment. However, neither party has articulated a detailed alternative economic strategy.

Earlier talks aimed at unity foundered. However, agreement became possible when veteran Radical and former President Raúl Alfonsín offered to withdraw as his party's leading candidate for deputy in Buenos Aires province. The joint opposition effort in the province will now be spearheaded by a Frepaso senator, Mrs Graciela Fernández Meijide.

The alliance could pose particular problems for Mr Eduardo Duhalde, governor of Buenos Aires province and the front-runner to win the Peronist presidential nomination in 1999. His wife and loyal lieutenant, Mrs Hilda "Chiche" Duhalde, heads the Peronist party list in the province for October. She was being pressed in the opinion polls by Mrs Fernández Meijide even before the opposition pact.

The electoral pact should not pose worries for investors, said Mr Freddy Thomsen, chief economist at ING Barings. "Look at the opposition gains in the recent Mexican elections – the markets loved it. The alliance shows the political system is consolidating. And the opposition has two years before the presidential contest to learn some basic economics."

# Clinton global warming plea

By Bruce Clark in Washington

US President Bill Clinton yesterday urged leading industrialists to look for profit as well as costs in responding to ecological challenges – such as climate change, whose existence was well established.

He also assured them the US would not limit its own fossil-fuel burning levels unless developing countriea accepted similar curbs. "I don't think that very many people disagree with the fact there is climate change now," he told chief executives from oil, steel and power companies who went to the White House for the latest of a series of meetings to formulate US policy.

US industry lobbies are loudly challenging the scientific basis of the assertinn that carbon emissions, mostly caused by fossil fuel-burning, are causing the planet to heat up at an alarming rate.

They are urging the president to think twice before accepting curbs on economic activity at a conference in Kyoto, Japan.

Mr Clinton said yesterday he favoured "realistic but binding limits" on emissions, combined with flexible, market-based approaches to implementing them – an apparent reference to tradeable emission permits.

The president reiterated a point often made by environmental campaigners – that the US is responsible for 20 per cent of greenhouse gas emissions although it has ouly 4 per cent of the world's population.

He said US industry should "find as many technological solutions to this as possible" and keep the country in the forefront of a $400bn environmental technology market.

The president also told the industrialists that any agreement had to be global, so to as avoid hurting US interests while leaving developing nations free to pollnte.

"The agreement has to be a global one...I think all nations, developed and developing, have to be a part of this."

## AMERICAN NEWS DIGEST

### Fall in spending on US building

Spending on new construction fell unexpectedly in June, the US Commerce Department said yesterday, but from a much stronger level of May building activity than previously estimated.

June construction spending dropped 1.1 per cent to a seasonally adjusted annual rate of $591.5bn – the biggest monthly fall in six months. The decline followed a sharply revised 0.3 per cent gain in May spending to an annual rate of $597.9bn instead of an initial estimate of a 1.8 per cent fall.

The June decrease was concentrated in the private sector, including weaker new home building. By contrast, public or taxpayer-financed spending on projects such as new highways and street repairs increased from May. Wall Street economists' expectations were for a 1.1 per cent rise in monthly spending. *Reuter, Washington*

■ WORLD TRADE CENTER TRIAL

### Jurors quizzed on bomb plot

A US judge yesterday asked jurors in the World Trade Center bombing trial whether they would be prejudiced by last week's raid on an apartment where police said they bad found evidence of a Palestinian suicide-bomb plot.

Opening arguments in the trial of Mr Ramzi Yousef, the alleged mastermiud of the 1993 Trade Center bombing, and Mr Eyad Ismoil, co-defendant, were postponed until today because a juror called in sick.

Mr Kevin Duffy, US district judge, questioned jurors individually on what they knew about the plot and also about last week's suicide bombing in Jerusalem, and whether those events would influeoce them.

There is no known link between Mr Yousef and tbe suspects arrested in New York last week. This is the second trial involving the World Trade Center bombing.

Prosecutors will try to prove that Mr Yousef and his co-defendant drove a bomb-laden van into the centre's underground garage. Both men are charged with conspiracy. The trial is expected to last up to four months. *AP, New York*

■ CUBAN BOMBINGS

### Police investigate hotel blast

Cuban police are investigating tbe latest in a series of small bomb blasts or attempted bombings at tourist hotels.

The incident occurred in tbe lobby of the five-star Meliá Cohiba Hotel in Havana, which is operated by Grupo Sol Meliá, the Spanisb hotel cbain. No injuries or serious damage were reported. The lobby section where the explosion occurred was immediately screeoed off.

Last month small bombs exploded at two Havana hotels, injuring three people. Cuba said the incidents were aimed at damaging the island's tourist industry. It claimed the explosives and the persons responsible came from the US. Tbe US government has denied any involvement. *Pascal Fletcher, Havana*

■ MONTSERRAT

### Volcano debris hits town

A shower of debris pelted Montserrat's safe zone yesterday after a volcanic eruptioo had also ignited abandoned homes and buildings in the island's deserted capital.

No damage was reported when the pebble-size debris fell on the roofs of some homes in Salem, a town five miles north of the abandoned capital of Plymouth, in an area considered safe from the Soufrière Hills volcano.

It was tbe first time the fiery debris – known as pyroclastic flows – had reached Plymouth, which was evacuated along with the rest of the southern half of the Caribbean island when the volcano first sprang to life in July 1995. Since tben, intermittent eruptions have prompted nearly half of Montserrat's 11,000 residents to flee the British colony. The British government has said it is considering polling Monserratians to find out if they want to be permanently moved off the unstable island. *AP, Salem, Montserrat*

## INTERNATIONAL ECONOMIC INDICATORS: **NATIONAL ACCOUNTS**

Figures for GDP are in billions of European currency units (Ecu). The first breakdown is in current prices and the second shows growth rates in the constant price series.

■ UNITED STATES

| CURRENT PRICES | Gross Domestic Product | Private Cons. (as a % of GDP) | Private Invest. | Govt. Spend. | Net Exports |
|---|---|---|---|---|---|
| 1987 | 4,065.8 | 65.9 | 15.9 | 21.2 | –3.0 |
| 1988 | 4,267.2 | 66.3 | 15.3 | 20.4 | –2.1 |
| 1989 | 4,836.6 | 66.1 | 15.2 | 20.1 | –1.5 |
| 1990 | 4,506.7 | 66.8 | 13.9 | 20.5 | –1.2 |
| 1991 | 4,774.9 | 67.2 | 12.4 | 20.7 | –0.3 |
| 1992 | 4,818.3 | 67.6 | 12.7 | 20.2 | –0.5 |
| 1993 | 5,602.8 | 68.0 | 13.4 | 19.8 | –0.9 |
| 1994 | 5,659.1 | 67.9 | 14.5 | 18.9 | –1.3 |
| 1995 | 5,619.9 | 68.2 | 14.3 | 18.7 | –1.2 |
| 1996 | 6,096.4 | 68.2 | 14.6 | 18.4 | –1.2 |
| 3rd qtr.1996 | 6,085.9 | 68.1 | 15.0 | 18.4 | –1.5 |
| 4th qtr.1996 | 6,205.8 | 68.1 | 14.6 | 18.3 | –1.1 |
| 1st qtr.1997 | 6,773.3 | 68.1 | 15.0 | 18.1 | –1.2 |
| 2nd qtr.1997 | 7,030.6 | 67.8 | 15.3 | 18.1 | –1.3 |

| CONSTANT PRICES (% growth in) | GDP | Cons. | Invest. | Govt. | Exports |
|---|---|---|---|---|---|
| 1987 | 2.9 | 3.1 | 1.2 | 2.7 | 11.0 |
| 1988 | 3.8 | 3.9 | 0.8 | 1.3 | 15.9 |
| 1989 | 3.4 | 2.3 | 4.3 | 2.8 | 11.7 |
| 1990 | 1.2 | 1.7 | –5.8 | 3.0 | 8.5 |
| 1991 | –0.9 | –0.6 | –9.4 | 0.8 | 6.3 |
| 1992 | 2.7 | 2.8 | 7.1 | 0.5 | 6.8 |
| 1993 | 2.3 | 2.8 | 9.3 | –0.8 | 2.9 |
| 1994 | 3.5 | 3.3 | 13.0 | 0.0 | 8.2 |
| 1995 | 2.0 | 2.4 | 1.6 | 0.0 | 11.1 |
| 1996 | 2.6 | 2.8 | 7.8 | 0.5 | 8.3 |
| 3rd qtr.1996 | 2.7 | 2.3 | 12.0 | 0.5 | 6.1 |
| 4th qtr.1996 | 3.3 | 2.7 | 10.4 | 1.9 | 9.3 |
| 1st qtr.1997 | 4.0 | 3.2 | 13.5 | 1.4 | 11.4 |
| 2nd qtr.1997 | 3.1 | 2.5 | 11.9 | 0.6 | 12.6 |

■ JAPAN

| CURRENT PRICES | Gross Domestic Product | Private Cons. (as a % of GDP) | Total Invest. | Govt. Cons. | Net Exports |
|---|---|---|---|---|---|
| 1987 | 2,097.9 | 58.9 | 28.5 | 9.4 | 3.2 |
| 1988 | 2,467.5 | 59.2 | 30.4 | 9.2 | 2.3 |
| 1989 | 2,631.1 | 58.2 | 31.3 | 9.1 | 1.4 |
| 1990 | 2,335.8 | 58.0 | 32.3 | 9.0 | 0.7 |
| 1991 | 2,752.2 | 57.2 | 32.2 | 9.0 | 1.7 |
| 1992 | 2,870.9 | 57.8 | 30.8 | 9.2 | 2.2 |
| 1993 | 3,647.4 | 58.6 | 29.7 | 9.4 | 2.3 |
| 1994 | 3,962.8 | 59.7 | 28.7 | 9.6 | 2.1 |
| 1995 | 3,975.3 | 60.2 | 28.5 | 9.9 | 1.5 |
| 1996 | 3,674.2 | 59.8 | 29.9 | 9.8 | 0.5 |
| 3rd qtr.1996 | 3,641.5 | 59.6 | 30.0 | 10.0 | 0.4 |
| 4th qtr.1996 | 3,548.0 | 59.9 | 29.8 | 9.7 | 0.6 |
| 1st qtr.1997 | 3,621.7 | 61.6 | 28.2 | 9.8 | 0.4 |
| 2nd qtr.1997 | | | | | |

| CONSTANT PRICES (% growth in) | GDP | Cons. | Invest. | Govt. | Exports |
|---|---|---|---|---|---|
| 1987 | 4.1 | 4.2 | 8.0 | 1.6 | –0.5 |
| 1988 | 6.3 | 5.3 | 13.7 | 2.3 | 5.9 |
| 1989 | 4.8 | 4.7 | 8.2 | 2.0 | 9.2 |
| 1990 | 5.2 | 4.4 | 7.9 | 1.5 | 6.9 |
| 1991 | 3.8 | 2.5 | 4.1 | 2.0 | 5.2 |
| 1992 | 1.0 | 2.1 | –3.0 | 2.0 | 5.0 |
| 1993 | 0.3 | 1.1 | –2.4 | 2.4 | 1.3 |
| 1994 | 0.7 | 1.9 | –1.2 | 2.4 | 4.6 |
| 1995 | 1.3 | 2.0 | 1.9 | 3.5 | 5.5 |
| 1996 | 3.7 | 2.9 | 8.8 | 2.3 | 2.3 |
| 3rd qtr.1996 | 3.5 | 1.8 | 9.6 | 2.4 | 2.1 |
| 4th qtr.1996 | 3.0 | 2.0 | 4.7 | 2.9 | 6.1 |
| 1st qtr.1997 | 2.6 | 4.6 | –2.6 | 2.2 | 7.5 |
| 2nd qtr.1997 | | | | | |

■ GERMANY

| CURRENT PRICES | Gross Domestic Product | Private Cons. (as a % of GDP) | Total Invest. | Govt. Cons. | Net Exports |
|---|---|---|---|---|---|
| 1987 | 961.5 | 55.7 | 19.3 | 20.0 | 5.0 |
| 1988 | 1,009.8 | 55.0 | 20.1 | 19.7 | 5.2 |
| 1989 | 1,075.2 | 55.0 | 20.8 | 18.8 | 5.4 |
| 1990 | 1,182.9 | 54.4 | 21.5 | 15.3 | 5.9 |
| 1991 | 1,396.7 | 57.1 | 23.5 | 19.5 | 0.0 |
| 1992 | 1,521.5 | 57.1 | 22.9 | 20.1 | –0.1 |
| 1993 | 1,631.2 | 55.0 | 21.4 | 20.1 | 0.5 |
| 1994 | 1,728.2 | 57.4 | 22.4 | 19.6 | 0.6 |
| 1995 | 1,867.5 | 57.2 | 22.4 | 19.5 | 0.8 |
| 1996 | 1,876.8 | 57.6 | 21.5 | 19.6 | 1.3 |
| 3rd qtr.1996 | 1,886.8 | 57.5 | 21.1 | 19.6 | 1.2 |
| 4th qtr.1996 | 1,855.6 | 57.5 | 21.7 | 19.4 | 1.5 |
| 1st qtr.1997 | 1,860.5 | 57.2 | 21.5 | 20.0 | 1.4 |
| 2nd qtr.1997 | | | | | |

| CONSTANT PRICES (% growth in) | GDP | Cons. | Invest. | Govt. | Exports |
|---|---|---|---|---|---|
| 1987 | 1.4 | 3.5 | 0.3 | 1.6 | –0.1 |
| 1988 | 3.6 | 2.4 | 7.6 | 2.1 | 5.2 |
| 1989 | 3.7 | 3.2 | 6.5 | –1.6 | 10.6 |
| 1990 | 5.9 | 5.2 | 8.7 | 2.2 | 11.6 |
| 1991 | 4.9 | 5.7 | 6.7 | 0.3 | 11.0 |
| 1992 | 1.8 | 2.6 | 0.6 | 4.3 | –1.5 |
| 1993 | –1.1 | 0.5 | –6.3 | –0.1 | –5.0 |
| 1994 | 2.9 | 1.1 | 8.9 | 1.3 | 2.1 |
| 1995 | 2.0 | 2.0 | 2.5 | 2.0 | 6.3 |
| 1996 | 1.4 | 1.1 | –1.4 | 2.4 | 5.1 |
| 3rd qtr.1996 | 1.8 | 1.1 | –2.0 | 2.6 | 4.3 |
| 4th qtr.1996 | 2.2 | 0.9 | 2.0 | 1.5 | 9.4 |
| 1st qtr.1997 | 2.8 | 0.5 | 3.1 | 3.8 | 11.1 |
| 2nd qtr.1997 | | | | | |

■ FRANCE

| CURRENT PRICES | Gross Domestic Product | Private Cons. (as a % of GDP) | Total Invest. | Govt. Cons. | Net Exports |
|---|---|---|---|---|---|
| 1987 | 770.5 | 60.8 | 20.2 | 19.1 | 0.1 |
| 1988 | 815.2 | 59.8 | 21.4 | 18.7 | 0.1 |
| 1989 | 877.8 | 59.4 | 22.3 | 18.2 | 0.1 |
| 1990 | 940.8 | 59.3 | 22.5 | 18.2 | 0.0 |
| 1991 | 973.0 | 59.6 | 21.5 | 18.6 | 0.3 |
| 1992 | 1,023.0 | 59.9 | 19.7 | 19.1 | 1.4 |
| 1993 | 1,067.7 | 60.8 | 17.2 | 20.1 | 2.1 |
| 1994 | 1,125.5 | 60.1 | 18.0 | 19.7 | 2.2 |
| 1995 | 1,188.7 | 59.9 | 18.3 | 18.6 | 2.4 |
| 1996 | 1,228.8 | 60.6 | 17.2 | 19.7 | 2.6 |
| 3rd qtr.1996 | 1,230.3 | 60.6 | 17.2 | 19.6 | 2.6 |
| 4th qtr.1996 | 1,221.5 | 60.3 | 17.1 | 19.7 | 2.8 |
| 1st qtr.1997 | 1,217.7 | 60.4 | 16.7 | 19.8 | 3.1 |
| 2nd qtr.1997 | | | | | |

| CONSTANT PRICES (% growth in) | GDP | Cons. | Invest. | Govt. | Exports |
|---|---|---|---|---|---|
| 1987 | 2.3 | 2.9 | 5.1 | 2.8 | 3.1 |
| 1988 | 4.5 | 3.3 | 9.8 | 3.4 | 8.1 |
| 1989 | 4.3 | 3.1 | 8.8 | 0.5 | 10.2 |
| 1990 | 2.5 | 2.7 | 3.4 | 2.1 | 5.4 |
| 1991 | 0.8 | 1.4 | –3.1 | 2.8 | 4.1 |
| 1992 | 1.2 | 1.4 | –5.2 | 3.4 | 4.9 |
| 1993 | –1.3 | 0.2 | –13.8 | 3.4 | –0.4 |
| 1994 | 2.8 | 1.4 | 10.3 | 1.1 | 8.0 |
| 1995 | 2.1 | 1.7 | 3.7 | 0.0 | 6.3 |
| 1996 | 1.5 | 2.1 | 2.8 | 1.2 | 4.8 |
| 3rd qtr.1996 | 1.6 | 2.0 | –4.5 | 1.3 | 6.8 |
| 4th qtr.1996 | 2.1 | 1.8 | 0.0 | 1.4 | 8.6 |
| 1st qtr.1997 | 1.1 | –0.3 | 1.4 | 1.1 | 5.1 |
| 2nd qtr.1997 | | | | | |

■ ITALY

| CURRENT PRICES | Gross Domestic Product | Private Cons. (as a % of GDP) | Total Invest. | Govt. Cons. | Net Exports |
|---|---|---|---|---|---|
| 1987 | 657.7 | 62.2 | 21.2 | 17.1 | –0.5 |
| 1988 | 709.3 | 61.8 | 21.5 | 17.3 | –0.6 |
| 1989 | 789.8 | 62.3 | 21.4 | 17.0 | –0.8 |
| 1990 | 860.5 | 61.6 | 21.1 | 17.8 | –0.5 |
| 1991 | 932.3 | 62.1 | 20.6 | 17.8 | –0.6 |
| 1992 | 944.1 | 63.0 | 19.5 | 17.9 | –0.4 |
| 1993 | 844.1 | 62.6 | 16.9 | 17.9 | 2.6 |
| 1994 | 858.8 | 62.8 | 17.2 | 17.4 | 2.6 |
| 1995 | 840.8 | 62.5 | 16.2 | 16.4 | 2.9 |
| 1996 | 969.7 | 62.2 | 17.1 | 16.8 | 4.1 |
| 3rd qtr.1996 | 983.3 | 62.2 | 16.6 | 16.6 | 4.7 |
| 4th qtr.1996 | 993.3 | 62.2 | 17.1 | 16.7 | 4.0 |
| 1st qtr.1997 | | | | | |
| 2nd qtr.1997 | | | | | |

| CONSTANT PRICES (% growth in) | GDP | Cons. | Invest. | Govt. | Exports |
|---|---|---|---|---|---|
| 1987 | 3.1 | 4.1 | 5.2 | 3.2 | 4.6 |
| 1988 | 3.9 | 4.2 | 3.7 | 2.7 | 5.7 |
| 1989 | 2.9 | 3.3 | 3.4 | 0.9 | 8.9 |
| 1990 | 2.2 | 2.4 | 4.1 | 1.3 | 6.8 |
| 1991 | 1.1 | 2.7 | –0.7 | 1.7 | –0.8 |
| 1992 | 0.6 | 1.0 | –1.5 | 1.1 | 5.9 |
| 1993 | –1.2 | –2.4 | –15.3 | 0.5 | 9.1 |
| 1994 | 2.2 | 1.4 | 4.2 | –0.6 | 10.7 |
| 1995 | 2.9 | 1.8 | 7.4 | –1.3 | 11.6 |
| 1996 | 0.7 | 0.7 | –1.8 | 0.4 | –0.3 |
| 3rd qtr.1996 | 0.8 | 0.6 | –5.2 | 0.8 | 1.7 |
| 4th qtr.1996 | 0.2 | 1.0 | –8.1 | 0.8 | 3.7 |
| 1st qtr.1997 | –0.4 | 1.5 | –7.1 | 0.8 | –1.8 |
| 2nd qtr.1997 | | | | | |

■ UNITED KINGDOM

| CURRENT PRICES | Gross Domestic Product | Private Cons. (as a % of GDP) | Total Invest. | Govt. Cons. | Net Exports |
|---|---|---|---|---|---|
| 1987 | 600.8 | 62.7 | 18.0 | 20.6 | –1.3 |
| 1988 | 709.6 | 63.5 | 20.3 | 19.9 | –3.7 |
| 1989 | 766.9 | 63.4 | 21.0 | 19.7 | –4.1 |
| 1990 | 770.8 | 63.1 | 19.2 | 20.5 | –2.7 |
| 1991 | 822.1 | 63.5 | 16.1 | 21.6 | –1.2 |
| 1992 | 813.8 | 64.0 | 15.3 | 22.0 | –1.4 |
| 1993 | 811.1 | 64.4 | 15.0 | 21.8 | –1.3 |
| 1994 | 864.8 | 63.9 | 15.5 | 21.5 | –0.9 |
| 1995 | 859.7 | 63.4 | 16.1 | 21.2 | –0.7 |
| 1996 | 923.6 | 63.9 | 15.9 | 21.0 | –0.7 |
| 3rd qtr.1996 | 916.9 | 64.1 | 15.6 | 21.0 | –0.7 |
| 4th qtr.1996 | 999.7 | 63.8 | 15.8 | 23.7 | –0.3 |
| 1st qtr.1997 | 1,068.9 | 63.9 | 15.6 | 20.5 | 0.0 |
| 2nd qtr.1997 | | | | | |

| CONSTANT PRICES (% growth in) | GDP | Cons. | Invest. | Govt. | Exports |
|---|---|---|---|---|---|
| 1987 | 4.8 | 5.3 | 10.7 | 1.0 | 5.8 |
| 1988 | 5.0 | 7.5 | 17.3 | 0.7 | 0.5 |
| 1989 | 2.2 | 3.2 | 3.6 | 1.4 | 4.7 |
| 1990 | 0.4 | 0.6 | –7.4 | 2.5 | 5.0 |
| 1991 | –2.0 | –2.2 | –12.3 | 2.6 | –0.7 |
| 1992 | –0.5 | –0.1 | 1.6 | –0.1 | 4.4 |
| 1993 | 2.1 | 2.5 | 2.8 | –0.2 | 3.5 |
| 1994 | 4.2 | 2.8 | 7.0 | 2.2 | 9.3 |
| 1995 | 2.7 | 1.7 | 2.6 | 1.3 | 7.8 |
| 1996 | 2.2 | 3.5 | 0.3 | 2.4 | 6.9 |
| 3rd qtr.1996 | 2.1 | 3.6 | –1.6 | 2.1 | 6.1 |
| 4th qtr.1996 | 2.7 | 4.3 | –0.5 | 2.4 | 7.1 |
| 1st qtr.1997 | 3.1 | 3.7 | 0.3 | 0.9 | 6.7 |
| 2nd qtr.1997 | | | | | |

Seasonally adjusted data used in all cases. GDP is broken down into private consumption expenditure, investment (the sum of gross fixed capital formation and the change in stocks), general government final consumption, and net exports (exports of goods and services minus imports of goods and services). The US includes investment by government in the government series rather than under investment. Quarterly GDP totals are annualised. The growth rates are the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The figures in the fifth column of each set of growth rates refer only to exports, rather than to net exports. Data supplied by Datastream from national government sources.

## NEWS: INTERNATIONAL

EU peace envoy claims clampdown likely to bring insecurity instead of security

# Israel's retribution widens rift

By Avi Machlis in Jerusalem

Mr Miguel Moratinos, the European Union's Middle East envoy, yesterday sharply criticised Israeli sanctions against the Palestinians ordered after two suicide bombers killed 13 Israelis last week in Jerusalem.

Despite a flurry of diplomatic activity yesterday, the row between Israel and the Palestinians appeared to be worsening.

"The EU is supporting all measures which can bring security to Israelis but we cannot really understand some measures that instead of bringing security are bringing insecurity," said Mr Moratinos. He was speaking after meeting Mr Yassir Arafat, the Palestinian leader.

Mr Moratinos later met Mr Benjamin Netanyahu, the Israeli prime minister, who rebuffed the EU envoy's pleas to lift sanctions.

The Israeli measures include a suspension of peace talks, a closure of the occupied West Bank and the Gaza Strip and a suspension of the transfer of funds from Israel to the Palestinian Authority, the self-rule government. Israel has also threatened to send security forces into Palestinian-controlled areas of the West Bank in violation of peace accords if Mr Arafat does not fight terror groups.

Israel yesterday arrested 29 more Palestinians suspected of involvement in radical Islamist groups in the West Bank, bringing the total number of those detained since Wednesday's bombing to 145.

However, five days after the marketplace bombing, Israel was still unsure which organisation was behind the attack. It was also unclear whether the bombers came from Palestinian or Israeli-controlled areas of the West Bank or Gaza Strip or from abroad.

But Mr Netanyahu said Israel would continue the sanctions until the Palestinians cracked down on terror organisations. He said the PA must decide if it is "a regime that fights terror...or a regime that encourages terrorism".

Mr Arafat called the Israeli measures "illegal acts" and "collective punishment against the Palestinian people". He was scheduled to travel to Amman last night and meet King Hussein of Jordan in an effort to galvanise Arab support.

Both sides are trying to bolster their positions ahead of the arrival of Mr Dennis Ross, the US Middle East peace envoy, expected in the region for a new mediation effort later this week.

Mr David Levy, Israeli foreign minister, will today travel to Cairo for talks on the peace crisis with Mr Hosni Mubarak, the Egyptian president, and Mr Amr Moussa, Egypt's foreign minister. The Arab League is also scheduled to hold a special meeting in Cairo today at the request of the Palestinians.

Meanwhile, a delegation of Israeli Arabs, including seven members of the Israeli Knesset [parliament], yesterday set out on a visit to Syria to discuss the peace process with Syrian officials. Israeli-Syrian peace talks have been frozen since March 1996.

● Israeli commandos yesterday killed five Hizbollah guerrillas during a raid into southern Lebanon that extended past Israel's self-declared "security-zone".

Six Lebanese civilians were injured in the clashes near Nabatiyeh in southern Lebanon.

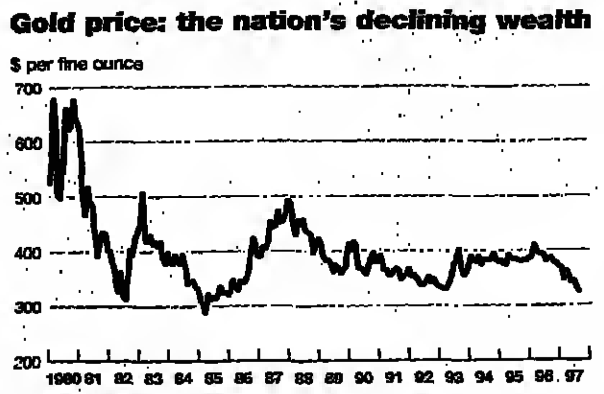
Hizbollah is waging a guerrilla war to oust Israel from its 15km-wide wide zone in south Lebanon.

# Reform or die, mining industry is told

Millions of South Africans depend upon the success of its gold mines, writes **Roger Matthews**

The South African gold mining industry is about to demonstrate whether it has the same instinct for compromise and survival as the nation's politicians. The choices are similarly stark. Either come up with a new deal, or face continued decline and near-certain disaster.

**Gold price: the nation's declining wealth**



Source: Datastream/ICV

Given that South Africa possesses about 40 per cent of the world's gold reserves, that sales account for nearly 20 per cent of export earnings, and that up to 2m people are dependent on the industry, failure to adjust appears unthinkable. But the high-cost, deep-level mining industry with its antiquated working practices, has been postponing radical reform for years.

Costs have climbed as the richer seams have been worked out, wage demands have been conceded without any compensating productivity agreements and few rigid working practices have been eased to reverse the entrenched hostility between essentially black labour and white management.

When the gold price topped $800 an ounce such practices were scarcely relevant. Even at $380-$400 the need for reform was not supported by much sense of urgency. But at about $325, the level at which the metal appears to have stabilised following its precipitous fall this year, analysts say at least 60 per cent of mines are not sustainable.

The most alarming of analysts' price projections – gold dipping below $300 and staying there for an extended period – would leave just 20 per cent of the country's mines operating profitably.

It is against this background that mine managements and the National Union of Mineworkers are seeking to complete the details of the industry's first ever pay deal directly linked to productivity.

Mine managements spent five months working out a proposed deal which was put to the union last month. It provides for pay rises of up to 25 per cent over each of the next two years for the lowest paid, while most miners will receive two annual increases of 9-10 per cent.

In return the union has pledged to increase output by 90 tonnes in the year which began on July 1, reversing the trend which has seen production decline steadily to the point where last year it hit a 40-year low of just 495 tonnes.

While mine owners have agreed how the 90 tonnes increase will be apportioned among them, with Gold Fields of South Africa, the country's second largest producer, aiming to provide more than 50 per cent of the increase, the key will be agreement with unions at local level. Without that the pay increases will not be met.

> South Africa's deep-level mining with its antiquated working practices, has been postponing radical reform for years

Managements have so far reported uneven progress. Mr Nick Segal, president of the Chamber of Mines, said yesterday there had been good progress in some negotiations, but others were experiencing difficulties. "The picture is rather uneven," he said. "We are continuing to review the position with the National Union of Mineworkers and hope a clearer picture will emerge later in the week."

Anglo American, the world's largest producer, says it needs to achieve a 5 per cent increase in production just to cover the pay rises. But Mr Bobby Godsell, head of Anglo's gold mining operations, warned last week that productivity agreements would take time to achieve because the battle was to change decades of confrontational industrial relations.

Although the shape of productivity deals will vary from one mine to another, a common theme in raising output is the extent to which agreement can be reached on extending the working year. The tradition of not working Sundays, every other Saturday, and public holidays, costs the industry 90 days a year. Some production targets might still be met without changing that pattern, but most managements believe union flexibility is critical to the survival of marginal mines.

The government is watching nervously. When last year Anglo American said it might have to dismiss 10,000 miners, Mr Tito Mboweni, the labour minister, stepped in immediately to demand the withdrawal of the threat. The crisis was postponed, but since then the risk of redundancies has increased, economic growth has slowed to little above 2 per cent, and the government is failing to meet an increasing number of macroeconomic targets, particularly on job creation.

Mr Chris Stals, the governor of the Reserve Bank, has sought to play down the impact on the rand of a lower gold price. He says that even if gold remained at $320 an ounce for a full year the loss of foreign exchange earnings would be less than 3 per cent of total exports. "Relative to the volatility of net capital movements, the amount should not create any undue pressure on the rand exchange rate," he said.

But with Mr Stals also under pressure to cut interest rates to ward off the threat of recession, failure to finalise the gold mining deal would send further negative signals to the currency markets. The weakness of the rand yesterday suggests even more may be riding on these negotiations than the industry on which South Africa was built.

INTERNATIONAL NEWS DIGEST

## Khatami keeps vice president

Mr Mohammad Khatami, Iran's new president, yesterday reappointed Mr Hassan Habibi as first vice-president, a post he held under Mr Akbar Hashemi Rafsanjani, the outgoing president. Mr Habibi's nomination was widely expected and is not considered controversial, pointing to Mr Khatami's efforts to move cautiously in his appointments.

Mr Khatami hinted yesterday that his cabinet list had not been completed. He must submit the list for approval to a parliament dominated by conservatives, some of whom have complained that Mr Khatami had failed to consult them about the formation of the cabinet.

In Bonn, Mr Klaus Kinkel, German foreign minister, said yesterday the European Union would not allow Tehran to dictate the terms of the return of EU ambassadors to Iran. All EU states except Greece recalled their ambassadors from Tehran after a German court ruled in April that Iran's top leaders had ordered the 1992 assassination of four Iranian Kurdish dissidents in a Berlin restaurant. Iran has said the envoys can return to Tehran but has indicated the German ambassador must be the last. *Robin Allen and Reuter*

■ TREASURY BONDS DUMPED

## Kenyan currency falls further

Kenya's national currency dropped a further notch yesterday and foreign investors dumped treasury bonds as nervous markets continued to absorb the impact of last week's suspension of aid by the International Monetary Fund. The shilling ended the day at 62.07/63.36 to the US dollar compared to Friday's closing 61 after falling as low as 64, a measure of the damage the IMF decision last week to suspend aid over unresolved corruption concerns has done Kenya's financial credibility.

Blue-chips also fell, with the stock exchange index closing 24.95 points lower, but trading was abnormally thin as most players hung back to see how events would unfold. Most nervous was the bond market, with a total of Ks230m ($3.8m) of central bank treasury bonds sold in a sign of faltering market confidence.

Kenya's image sustained a further blow as an air traffic controllers' strike entered its third day, triggering turmoil at airports in Nairobi, Mombasa, Kisumu and Malindi at the height of the tourist season. Outgoing flights were delayed by up to 12 hours and arriving flights waited up to two hours to land. *Michela Wrong, Nairobi*

■ 30% STAKE

## Doubts over SAA sell-off

The part-privatisation of South African Airways was called into question yesterday when Transnet, its state-owned parent, distanced itself from plans to sell a minority stake in the airline to a foreign partner.

SAA has interests in an array of other African airlines, and is regarded by many international competitors as a potential vehicle for developing a pan-African carrier. Although the government won unions' support for the disposal in March of a 30 per cent stake in Telkom, the telephone utility, no timetable has been set for the airline. However, Mr Saki Macozoma, managing director of Transnet, said yesterday a proposal to sell a stake in SAA was tentative, in spite of clear government intentions to proceed with the sale. *Mark Ashurst, Johannesburg*

## NEWS: TRADE

# Shiseido aims at S Korean market

By Gwen Robinson in Tokyo

Shiseido, Japan's leading cosmetics maker, has established its first joint venture in South Korea to import and sell Shiseido products, to target Asia's emerging middle-class markets.

The deal follows Shiseido's announcement last month of a new line of low-priced cosmetics aimed specifically at Asian markets. The new "Za" skincare and makeup brand will not carry the Shiseido brand name, and will be available off-the-shelf in chain stores throughout Asia.

The joint venture, the first of its kind by a Japanese cosmetic maker, comes amid rapid growth of Shiseido's sales in Korea, which amounted in the business year to March to Y1bn ($8.4m) on a wholesale basis. The Korean cosmetics market has surged in recent years to make South Korea the largest cosmetics market in Asia after Japan, with overall sales of about Y380bn.

The company has established Shiseido Korea jointly with Pacific Corporation, a Korean cosmetics maker which has been selling Shiseido products in Korea under the name of Youmee Cosmetics. Shiseido has taken a 60 per cent stake in the venture, which is capitalised at about Y910m, while Pacific owns a 40 per cent stake.

The company is also focusing on China, one of its fastest growing markets. Europe accounts for 38 per cent and the US, 20 per cent of total sales, with the remainder coming from duty free sales. By 2000, Shiseido expects Asia to account for 40 per cent, with the US and Europe accounting for 30 per cent each.

In the light of recent currency turbulence in Asian countries, company officials acknowledged widespread concerns about investment in the region. But US and European companies vying for market share will face the same risks, they added.

# Hopes high for China's WTO bid

By Frances Williams in Geneva and Nancy Dunne in Washington

The US is pinning its hopes for Chinese entry into the World Trade Organisation on an expanded market-opening package due in September.

However, China has told its trading partners not to expect too much from its forthcoming offer to open its services sector to foreign competition. This follows only a piecemeal offer by Beijing last week to improve access for foreign imports of goods.

"The US prefers to have China in the WTO where it can be dealt with multilaterally rather than being the singular enforcer of trade disciplines which leads China to offer plums to other countries," said Mr Jay Ziegler, spokesman for the US trade representative.

Several senior US trade officials are to visit Beijing in the coming months to prepare for a state visit to Washington by President Jiang Zemin in October. However, Ms Charlene Barshefsky, the US trade representative, is no longer planning to go to Beijing, a sign that she anticipates no final deal in the near term.

After last week's meeting of the WTO working party on Chinese membership, European Union and Japanese officials said China had signalled its revised offer due at the end of this month or early September would contain only limited improvements.

The Chinese proposals, which will cover areas such as banking, insurance, distribution and telecommunications, could be critical in determining whether China can enter the world trade body by next May, when trade ministers will celebrate the 50th anniversary of the birth of the General Agreement on Tariffs and Trade, the WTO's predecessor.

The planned US-China presidential summit in late October had been seen as a possible platform to launch the final stages of the WTO negotiation but US trade officials said on Friday that "a lot more needs to be done".

However, Mr Long Yongtu, China's chief WTO negotiator, urged WTO members to have "a realistic expectation" concerning foreign access to China's still undeveloped services sector and stressed the need for "progressive liberalisation".

Addressing the WTO working party, he said China would continue to open its goods and services markets after accession and that the entry negotiations were just the beginning "of the historical process of continued market liberalisation in China".

EU officials say the Chinese have damped hopes of significantly improved access for foreign companies in financial services and telecommunications, two of the biggest services sectors.

# Unctad tries to beat customs fraud

Trade body has developed system to ease transit of goods, says **Frances Williams**

An upsurge in fraud, smuggling and corruption with potentially "catastrophic consequences" has prompted the United Nations Conference on Trade and Development (Unctad) to develop a global information system for customs transit.

The Geneva-based organisation argues that poor, landlocked countries in particular already face inflated transport costs mainly as a result of long door-to-door transit times.

In parts of west Africa, for instance, transport costs amount to more than a quarter of the value of the goods imported. This compares with about 4.4 per cent on average for industrialised nations, and about twice that for developing countries as a group.

Transit schemes – which allow goods to travel through one or more countries to their final destination with the minimum of frontier checks and formalities – can cut costs significantly by reducing unnecessary paperwork and delays at border posts.

Interest in these schemes has grown alongside the expansion of regional trading arrangements, especially among developing nations. Unctad recently brokered a regional transit accord between China, Mongolia and Russia, and is advising on a transit arrangement that would revive the old "silk route" from Europe to Asia through the former Soviet republics of central Asia.

Yet in Europe carefully elaborated existing systems for handling transit traffic are on the verge of collapse. Under the European Union's "common transit system", for example, hauliers of goods such as cigarettes and alcohol do not pay excise duties on entering EU territory, provided they leave the EU intact or pay the duty at their final EU destination.

> Lack of adequate checks has meant increasing numbers of trucks 'disappear' into the European countryside, costing EU states at least $4bn a year

But lack of adequate checks has meant that increasing numbers of trucks simply "disappear" into the European countryside. The European Parliament, in a report last March, estimated that fraud was costing EU states at least $4bn a year in unpaid excise duties, and said the true figure could run into tens of billions of dollars.

In December 1994 alcohol and cigarettes were excluded altogether from the TIR international transit scheme for lorry freight that covers eastern and western Europe, because insurers and national haulage associations refused to post the necessary guarantees.

The entire TIR system nearly foundered late last year when the two main German hauliers' associations threatened to pull out after problems obtaining reimbursement of guarantees.

For developing countries the problems of fraud and corruption – and their consequences – can be even more serious. Mr Rubens Ricupero, Unctad's secretary-general, notes that some of the poorest countries depend on customs for between 40 and 80 per cent of their revenues.

"Because most transit operations worldwide are still monitored using paper documents only, it is impossible today to quantify the accumulated damage caused by fraud, corruption and unintentional administrative errors," he told a meeting organised by the Brussels-based World Customs Organisation.

The Unctad transit information scheme would involve the computerisation of basic transit documentation and the electronic exchange of information between customs administrations, transport operators and others involved in transit services including insurance companies.

The idea would be to come up with a transit information kit that could be used by the poorest countries while being compatible with similar systems now being planned or operated by the European Commission and the bodies responsible for the TIR scheme – the UN Economic Commission for Europe, and the International Road Transport Union.

Unctad plans to build on the successful experience of computerised information systems it has already developed for customs procedures (Asycuda, or Automated Systems for Customs Data) and for managing and tracking transit cargoes (Acis, or Advance Cargo Information System).

Asycuda, which costs only about $2m to install compared with $50m for a commercial system, is now used in over 70 countries throughout the world including central and eastern Europe. However, the transit information kit would be designed to work with any computerised customs system.

As the Asycuda programme has already demonstrated, automated information systems not only cut business costs, but also deter corruption by recording all transactions. Rapid information exchange, meanwhile, helps cut fraud. Unctad officials point out that a truck that goes missing in central Europe today may not be identified as lost for two or three months, making it easy for criminals to cover their tracks.

Under a computerised system the crossing of a frontier can be notified to the next border crossing or destination immediately. Late consignments can be quickly investigated.

Moreover, once the consignment arrives safely, the guarantor or customs bondholder can be informed within hours and the guarantee released within days. This compares with the several months it can take for hauliers and others to get their money back under existing systems that use paper documents and postal services.

Unctad officials say they hope to test the new system as soon as next year, most probably in southern Africa.

WORLD TRADE NEWS DIGEST

## US hails chip sales in Japan

The foreign share of Japan's semiconductor market hit a record 32.6 per cent in the first quarter of 1997, the US trade representative's office said yesterday.

The previous record was 29.6 per cent in the fourth quarter of 1995. The foreign share was 29.4 per cent in the fourth quarter of last year.

Ms Charlene Barshefsky, US trade representative, said the increased penetration of the market was "evidence that market forces are at work". Although no details were released, she said increased sales by US companies contributed to the improved foreign share.

Foreign penetration of the formerly closed market continued despite last year's US-Japan semiconductor arrangement where both sides agreed on a less intrusive government role, which succeeded a five-year deal.

During the period of the 1991 arrangement, foreign market share increased from 14.3 per cent in the third quarter of 1991 to an average 27.3 per cent over the last full year of the agreement. *Nancy Dunne, Washington*

■ OPEN SKIES

## US and Japan divided

Japan and the US remain divided on aviation issues, Japan's transport ministry said yesterday. The comment came after the end of the first of three days of talks on aviation issues between the two sides.

The Japanese have asked for equality in passenger services and have rejected the US "open skies" policy.

The US has argued for a more liberal aviation regime that would give airlines of both countries unlimited freedom in deciding destinations and frequencies over the Pacific as long as safety, security and slot limitations are taken into consideration. It has also pushed for more opportunities for its airlines to fly beyond Japan to other countries in Asia. *AP-Dow Jones, Tokyo*

■ VEHICLE VENTURE

## Toyota enters India

Toyota, the Japanese carmaker, is to enter India's increasingly crowded market making a utility vehicle in a joint venture with the Kirloskar Group, the diversified Indian engineering company.

Toyota is to take a stake of 74 per cent in the $170m venture to produce 50,000 of its Kijang sports utility models a year. The companies said they expected production to begin towards the end of 1999 from a new factory at Bidadi, outside Bangalore in the southern Indian state of Karnataka.

The investment follows almost a year of talks between Toyota and Kirloskar. It also comes 18 months after Toyota sold its interests in a light commercial vehicle venture with DCM Group, another Indian engineering company.

Toyota's commitment to India follows those of rival Japanese manufacturers Honda and Mitsubishi, both of which in the last year have announced partnerships with Indian companies to build new car plants. However, Toyota's entry vehicle will be aimed at a niche, premium market for off-road vehicles so far shared between Telco and Mahindra & Mahindra, India's biggest manufacturers of utility vehicles. *Mark Nicholson, New Delhi*

# Thais to see aid package today

By Ted Bardacke in Bangkok and Gillian Tett in Tokyo

Mr Thanong Bidaya, Thailand's finance minister, will today submit to cabinet a framework economic rescne package agreed with the International Monetary Fund.

But IMF officials warned that full details of the plan, keenly awaited by Japanese banks preparing to offer their own support package, were still subject to continuing discussion.

Mr Thanong said he would outline the package in a nationally televised speech this evening. "Discussions have been going well and the key policy elements of such a package are falling in place. I am confident it's going to be approved by the cabinet and it's going to be good news," he said.

An IMF official suggested the plan presented to the Thai cabinet today might not be enough for the IMF executive board immediately to approve any funding package under emergency procedures likely to be followed. Agreement is needed "not just on the major contentious parts but on the details as well," the official said.

The baht strengthened slightly yesterday to Bt31.675 to the US dollar against Bt31.94 on Friday, on expectations the Thai cabinet's action would bring the country one step nearer entering a formal IMF programme.

The programme would be the signal Japan's public and private-sector banks are awaiting before they offer a financial support package. Japan is Thailand's biggest single creditor.

One senior Japanese banker said yesterday: "The Japanese banks are ready to provide significant help now, but what we need to know clearly is just how big the financing gap really is and what the money will be used for."

One key plank of Japan's support if agreed, will come from the Export-Import Bank of Japan, a governmental trade and overseas development group. Japanese officials said the bank would be prepared to offer emergency financing loans up, or equal, to the amount offered by the IMF. The loans would be used for balance of payments purposes and longer-term adjustment projects.

This is likely to leave the bank, which has an annual budget of Y1,486bn ($12.6bn), making the largest single emergency loan in its history. The biggest untied loan made previously was a loan of $1.9bn to Mexico in 1989, partly for balance of payments support.

In 1995, the bank made a loan of Y80bn to Argentina to help it overcome the currency turbulence caused by the economic crisis in Mexico that year. This experience is expected to be a model for any aid to Thailand. One Japanese official said yesterday: "What we would do in Thailand would be bigger, because it is our neighbour."

The private-sector support package is likely to be co-ordinated by groups such as the Bank of Tokyo Mitsubishi, Japan's largest bank, which has almost $5bn worth of lending exposure to the country. The Industrial Bank of Japan (IJB) and Sakura Bank are likely to play a key role.

Total lending by private banks could account for between a quarter and a third of the support package to Thailand, some banking officials suggested yesterday.

Japanese banks had some $37.55bn worth of outstanding loans to Thailand in June 1996, according to the last available data. This accounted for almost half all foreign bank lending to Thailand.

Japanese banks fear if they do not take part in a support package, they could suffer loss from any further Thai economic decline.

The Japanese government is also keen to show it can play an effective role as the regioo's financial powerhouse, though it stresses it does not want to act on its own, but rather in co-ordination with groups such as the IMF.

# Malaysian measures lift currency value

By James Kynge in Kuala Lumpur

Malaysia's imposition of selective foreign exchange controls had its desired effect yesterday, driving the ringgit up sharply against the US dollar and depressing domestic interest rates.

Treasury economists, however, said the measures announced by Bank Negara, the central bank, at the weekend might not be enough to support the ringgit in the longer term. They noted that while the Malaysian currency at one point appreciated 2 per cent to M$2.5850 to the US dollar, it fell back in later trade to about M$2.6135.

Bank Negara's controls were aimed at shutting off foreign speculators' access to ringgit in the offshore swap market. The tactic worked in early trade in Sydney as currency dealers scrambled to buy ringgit, fearing a future shortage. But later demand slackened considerably, in a sign that many market players may have anticipated the restrictions, dealers said.

Under the rules, local banks are banned from selling more than US$2m worth of ringgit to foreign customers other than those who need the currency for genuine commercial reasons, such as currency hedging requirements, trade needs and portfolio or direct investments.

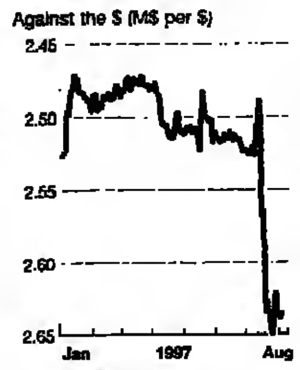
Treasury economists said that the several exemptions to the ban might make it difficult for Bank Negara to trace how ringgit sold or lent offshore are actually used. "The restrictions are quite porous. I wouldn't be surprised if this package of measures does not prove watertight," said one economist in Singapore.

"Bank Negara may have to tighten these restrictions if speculation continues, and there appears to be a willingness to do so," said Ms Seema Desai, regional economist for Schroders in Singapore.

Economists said that one potential trigger for downward pressure on the ringgit would be if problems emerge in Thailand's negotiations with the International Monetary Fund, precipitating a further slide in the Thai baht. Another might be if Malaysia reports a large trade deficit for the month of June, as many expect.

**Malaysian dollar**

Against the $ (M$ per $)




Source: Datastream/ICV

A fall in short-term interest rates yesterday would have come as welcome relief to Malaysia's policymakers after signs that several months of high rates have been crimping consumption expenditure and were starting to slow the pace of lending to industry.

The one-month Kuala Lumpur interbank offered rate was at 8.22 per cent, down from 8.69 per cent on Friday. The benchmark three-month Klibor rate was at 6.19 per cent, down from 8.51 per cent.

Stockmarket investors reacted negatively to the news of the selective capital controls, partly out of concern that the flow of foreign funds into Malaysia could be hit. Some analysts also said that the controls were bad for Kuala Lumpur's record of seeking liberalisation in its financial markets. The main index fell 24.07 points, or 2.4 per cent, to 978.56.

● Malaysia posted a trade deficit of M$2.8bn (US$1.12bn) in June, reversing May's surplus of M$156.2m, agencies report. The huge deficit was for the purchase of commercial aircraft and ships, costing M$2.2bn or 11.4 per cent of total imports in June. The trade deficit for the first half of the year ballooned to M$2.7bn, from M$687.8m in the same period last year, the Malaysian statistics department said yesterday.

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Lex, Page 12

# Chinese tax change upsets bankers

By James Harding in Shanghai

China plans to impose withholding tax on foreign banks' inter-branch and inter-bank funding, a levy which international bankers say would put them at an untenable disadvantage to Chinese competitors.

The new tax, which will not be levied on domestic state banks, would make lending in China unprofitable for many foreign banks, which rely on funds from their overseas branches to finance fledgling loan portfolios in China.

Managers of foreign banks in Shanghai are privately threatening to refuse payment of the tax, a sign of the frustration among overseas bankers who have recently been allowed to start local currency operations but under highly restrictive terms. "We will not be able to conduct business if this tax is enforced," said the senior manager of a US bank in Shanghai yesterday. "We could not afford to lend and we could not afford to operate in Shanghai... we would have to move operations back to Hong Kong or Singapore."

Foreign banks have been informed in the past few days of Beijing's plan to impose the tax on the interest payable on interbank funding by overseas banks to their branches inside China. The tax is to be applied on business transacted from July 1 1997.

The State Administration of Taxation has drawn up the notice to clarify that foreign banks are not subject to the same exemption as Chinese state banks, and therefore "interest income derived from loans by foreign banks to foreign-invested financial institutions shall be levied with income tax".

Mr Fraser White, partner at the UK law firm Clifford Chance, said: "The change is likely to result in an increase in the cost of funds to foreign banks... the tax would put foreign bank branches in China at a significant funding disadvantage compared with the Chinese state-owned banks."

The tax bureau's initiative also appears to have alarmed the People's Bank of China (PBOC), which is both the central bank and the authority that oversees the financial-sector liberalisation that has started in Shanghai.

A PBOC official said the withholding tax "would add to the costs of foreign banks to raise funds and would have an adverse effect on building Shanghai into a financial centre".

Another foreign banker, who also declined to give his name in advance of discussions with the Shanghai tax authorities later this week, said: "We hope there has been a misunderstanding somewhere. No one can be expected to lend profitably and pay this tax."

Bankers in Shanghai have been seeking clarification to the notice which threatens to tax "foreign banks", a broad enough category to include both interbank and interbranch lending. Officials at the Shanghai tax bureau have confirmed the wording could cover interbranch funding, chief source of financing for many foreign banks lending in China.

Beijing tax officials acknowledged: "The tax will have some influence on their [foreign banks'] Chinese business. But we have to collect the money, and foreign banks have to pay... according to the law."

China's tax bureau has been seeking new ways to increase revenues, which have struggled to keep up with growing expenditure on welfare policies and infrastructure programmes.

# Yields on Japanese bonds at record low

By Gillian Tett in Tokyo

Renewed gloom about the direction of the Japanese economy pushed yields on Japanese government bonds to a record low in Tokyo yesterday.

The yield on the 10-year government bond, which serves as a benchmark for the industry, touched 2.07 per cent during the day's trading as bond prices rose. Later, bonds fell in price and the yield rose to close at 2.155 per cent.

Yesterday's fall in yields prompted the Japanese government to cut its interest rate on so-called *zaito* funds lent by public-sector bodies by 0.1 of a percentage point to 2.7 per cent.

It represents a turnaround from the situation in May when, first, yields on government bonds rose to 2.645 per cent, amid hopes that the economy was recovering, and short-term interest rates started to rise for the first time for 18 months, before later falling again.

Yesterday's movements reflect a sharp change in market sentiment about the outlook for the economy and the path of interest rates.

Mr Marshall Gittler, head of economic research at SBC Warburg, an investment bank in Tokyo, said: "The economic tide seems to be turning down again. I see no data coming up likely to turn the bond market in the other direction."

Earlier this year, economists were concerned that Japan's decision to raise its consumption tax from 3 to 5 per cent on April 1 would derail the recovery. On April 6, benchmark bond yields dropped to 2.075 per cent, at that point the lowest level seen in Japan.

But in May, traders began to think the economy had weathered the tax rise well and was heading for a period of sustainable recovery.

Consequently, speculation erupted that Japan, keen to boost the economy, might be about to raise its interest rates, which have been pegged at 0.5 per cent – a historically low level – since the autumn of 1995.

But in July, optimism about the economy faded. Last week, a set of disappointing statistics reinforced the gloom: vehicle sales fell by an annual 10.1 per cent in July, industrial production dropped by a monthly 3.1 per cent, and industrial inventories of unsold goods rose sharply.

The Economic Planning Agency, the government research body, is expected to dismiss these signals when it issues its latest report today, arguing that the economy should soon rebound from the sales tax rise.

# Scourge of Pakistan's manufacturers

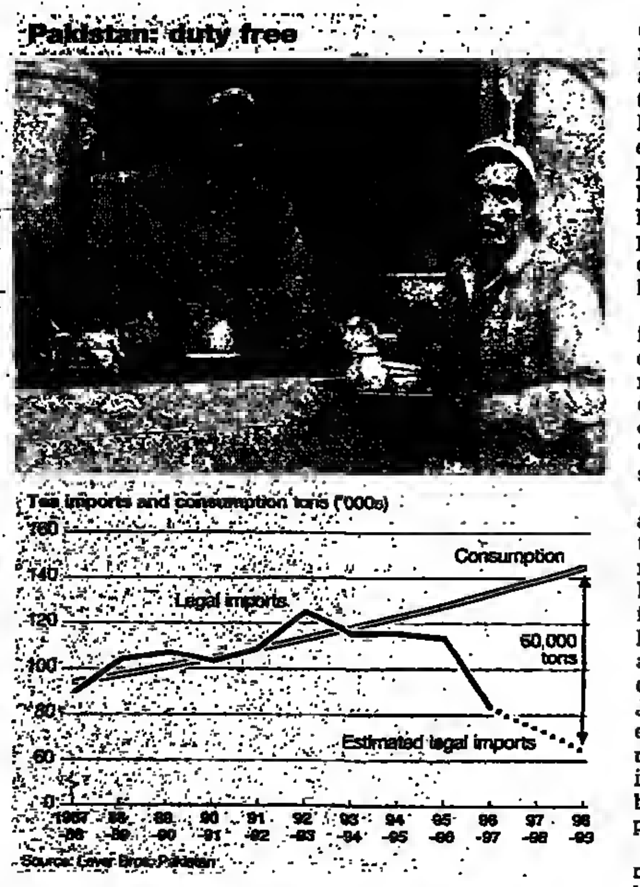
## Smuggling is undermining the country's economy, writes Mark Nicholson

Picture a smugglers' bazaar on the Khyber Pass road north of Peshawar in Pakistan. Images might come to mind of hood-eyed Pathan tribesmen huddled over glinting oriental treasures on worn carpets, the air charged with haggling and spices.

Perhaps once upon a time. Today, though, Hayatabad Bazaar is an unromantic sprawl of concrete and glass stores stacked to the beams with Nike shoes, Panasonic TVs, Sony video-disc players, Marks & Spencer sweaters and Compaq computers. Hayatabad is bigger than London's Covent Garden and cheaper than Dubai. It may be the biggest tax-free market in the world, and smells mostly of dust and lucre.

Mr Mohammed Ishaq Dar, Pakistan's commerce minister, believes the market may enjoy up to $1.5bn worth of trade which Pakistan never officially registers. The full scale of such trade is, however, a guess in a country where some economists believe the "black" economy may actually equal Pakistan's official gross domestic product of $65bn.

**Pakistan: duty free**




Source: Lever Bros Pakistan

Hayatabad is not Pakistan's only thriving smuggler's den – indeed, the country's porous borders with Afghanistan and Iran have kept generations of Afghani, tribal and Pakistani smugglers in business since the days of the silk road. But Hayatabad is a prime and flourishing example of why foreign manufacturing investment in the country has proved so limited, why foreign consumer goods companies in Pakistan are hurting, and why, because of lost excise and duties revenues, Pakistan's government has such chronic difficulty in balancing its books.

The illicit flow of consumer goods across Pakistan's leaky borders – chiefly from Afghanistan – has already ruined some domestic manufacturing industries, according to local executives. Among industries hardest hit, they say, are tea, soap and other personal goods, domestic appliances, batteries, tyres, bicycles and televisions.

Industrialists say smuggling is a strong contributor to Pakistan's poor recent economic performance. Foreign direct investment, for instance, fell last year to $540m from $1.1bn a year earlier, while manufacturing output contracted by 1.4 per cent – for the first time in the country's 50-year history.

"A lot of people are now shy of putting money into the country because of this," says the sales manager of one multinational in Karachi. "As things stand, you can only make money in this country by producing things people can't smuggle – like electricity or ice cream."

In tea, for example, Lever Brothers, the Pakistani subsidiary of Unilever, estimates that up to 60,000 tonnes of the country's annual consumption of 140,000 tonnes is now smuggled and that, while tea duties remain at 45 per cent, this proportion will continue to rise. The company says its branded tea can no longer compete on price with highly organised smuggling of Kenyan tea and may have to close down if it continues.

Industrialists attribute the recent sharp rise in levels of smuggling to the previous government's moves to raise excise and customs duties on most imported goods. Facing a spiralling fiscal deficit and the traditional difficulty of Pakistani governments in enforcing tax compliance on personal and agricultural incomes, Ms Benazir Bhutto's government placed punitive duties on almost all consumer and manufactured items.

Television sales provide a further example. Philips, one of few foreign electronics manufacturers in Pakistan, estimates that 600,000 of the country's annual market of 700,000 television sets are smuggled.

Such illicit TV imports alone are costing the Pakistan government an estimated Rs2.7bn ($67.5m) in lost revenues, says Mr Sarfraz Uddin, a manager at Philips in Karachi. They are also, he argues, providing a deterrent to investment by Japanese and other TV makers, who are winning large market shares without having to go to the trouble of building manufacturing plants.

The six-month-old government of Mr Nawaz Sharif has taken some steps to curb the smuggling. As part of its supply-sided attempt to revive Pakistan's limping industrial economy, the government has sharply cut tariff and excise rates – taking Pakistan's maximum tariff, for example, down to 45 per cent from 65 per cent.

But companies such as Philips and Lever Brothers say duties must be cut further, while arguing that the government must act directly against the smugglers.

Both will prove difficult. The first because indirect taxes still provide the bulk of government revenues, and Pakistan is committed to a course of tight fiscal prudence to meet conditions for an expected $1.6bn structural adjustment loan from the International Monetary Fund. Further immediate cuts in duty and excise rates will prove difficult unless the government has much greater success than its predecessors in raising direct tax revenues.

Direct curbs would also require political courage. For one thing, many of the bigger smuggling rings are believed to enjoy high-level political patronage. For another, the main markets like Hayatabad and smuggling routes from Afghanistan lie in the "tribal" territories of North West Frontier Province, where policing of local trading ways has been effectively resisted since well before the days of the traditional smugglers' den.

# Vietnam bank's assets frozen

By Jeremy Grant in Hanoi

One of Vietnam's four state-owned banks has had its local assets frozen by a Singapore court following a dispute over liabilities in an allegedly unpaid trade deal.

Officials at the Industrial and Commercial bank of Vietnam said yesterday they were examining their legal options after the Singapore branch of the Dutch investment bank Mees Pierson obtained an injunction freezing money in accounts held at Singaporean banks in the city state.

The development comes at a bad time for the communist-run country's beleaguered banking system. Vietcombank, the country's biggest state-owned bank, was last month forced into a rare public defence of its credibility after admitting it failed to honour a series of short-term trade debts owed to foreign banks.

The dispute between Mees Pierson and the Industrial and Commercial Bank centres on a letter of credit involving $500,000 and a shipment of flour. The Vietnamese bank claims terms of a letter of credit were breached.

This is not the first time foreign parties have taken legal action to recover what they claim are funds owed under letters of credit. Daewoo Group of South Korea has a $3m case pending against an unnamed Vietnamese company.

● Vietnam's top military official and the man tipped as a candidate to replace Mr Do Muoi, Communist party general secretary, yesterday gave a rare glimpse of the military's view of economic reform, calling for the continued sell-off of shares in state-owned enterprises.

General Le Kha Phieu, a Politburo member, said the pilot sale of 10 state-owned enterprises had improved productivity at the companies, increasing their capital. "The government will pursue this kind of arrangement more actively," he declared.

The military is increasingly powerful in Vietnamese politics but its views on the economy are largely unknown.

Vietnam's privatisation programme has been stalled for over a year by resistance from interests in the ruling Communist party.

Many state-owned companies are run by the military, which diplomats say is likely to resist any attempt to break its grip on manufacturing businesses.

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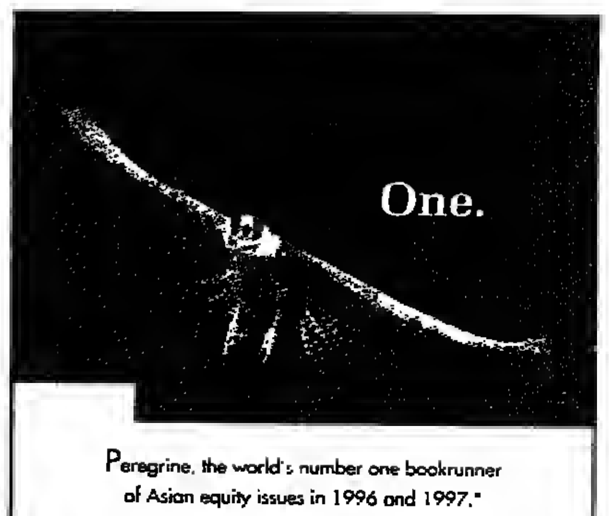


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Cluster of cases prompts call for full inquiry into connection with 'mad cow' disease

# 'New variant' CJD kills two more people

**By Clive Cookson, Science Editor**

Two more deaths from the "new variant" of Creutzfeldt-Jakob disease, the human brain condition linked to BSE, were confirmed last month, the govarnment's health department announced yesterday. It said the total number of nvCJD cases was now 21, of whom 20 were dead and one was in a coma.

The National CJD Surveillance Unit in Edinburgh, the Scottish capital, has confirmed five new cases over the three months from May, after a quiet period from January to April during which there were none.

The growing toll, combined with evidence of a "cluster" of six cases in the south-east England county of Kent, has persuaded Mr David Hinchcliffe, the Labour MP who chairs ths House of Commons health committee, to call for a full judicial inquiry into the alleged connections between CJD and BSE – "mad cow" disease.

Most scientists believe that the new variant, first detected early last year, is caused by the consumption of BSE-infected meat during the late 1980s, before measures were introduced to prevent contaminated beef from entering the human food chain. But no causal connection has been proved.

Mr Hinchcliffe, who has asked the prime minister to set up an inquiry, said he was concerned that Kent has had six desths while there has been only one in the whole of London. Kent is the county where BSE was first diagnosed in 1985 and its farmers have had more than their fair share of cases.

Statisticians point out, however, thet rare diseases often cluster geographically – and it is very hard to show whether the distribution is caused by anything more than coincidence. The best known example is the alleged clustering of childhood leukaemia around some nnclear plants.

There was intense speculation during 1995 – before attention turned to CJD in young people – that an excess of CJD among heef and dairy farmers might be linked to BSE. But a detailed clinical study has just shown that all five recent CJD deaths among farmers were "sporadic cases" dne to chance.

Scientists say that an infection spreading through s population often gives an uneven pattern.

The emergence of the new variant so far could be compatible with an eventual total ranging from fewer than 100 cases to many thousands over tha next two decades, epidemiologists say.

But Dr John Pattison, chairman of tha government's advisory committee on BSE and CJD, said he has now discounted the doomsday scenario of hundreds of thousands of human deaths, which was mentioned when the new variant first appeared early last year.

Although the link between BSE and CJD is not proved, the Royal Society, the UK's senior scientific body, says there is now a compelling casa for regarding the new variant of CJD as the human manifestation of BSE. It quotes a variety of experiments to support ths case and says no one has come up with an alternative suggestion to explain the new disease.

## Rival buys CD maker for $18m

**By Alice Rawsthorn in London**

Mayking, the compact disc and audio cassette manufacturer that went into administration this spring, has been acquired by DOCdata, a rival Dutch group, for £11m ($17.9m).

Robson Rhodes, the accountancy group appointed as Mayking's administrators in April, has been trying to find a purchaser for Mayking for several months. DOCdata, which is quoted on Nasdaq in New York, already has manufacturing plants in the Netherlands, France, Germany and the US.

Last week, Mr Brian Bonnar, the music executive who owned Mayking, sold his 60 per cent stake in One Little Indian, tbe independent record label, to Mr Derek Birkett, its co-founder. One Little Indian, a separate entity, was not directly affected by Mayking's administration. But Mr Bonnar tried to sell a minority stake in the label to several multinational music groups to raise capital.

Mayking's difficulties underline the financial pressure on the independent record industry. The group consisted of two companies: Mayking Multi-Media, which manufactures compact discs and made sales of £22.3m in 1996; and Mayking Cassettes, an audio cassette manufacturer with 1996 sales of £7.6m.

Both businesses were badly affected by over-capacity in the global CD and cassette production sector, and by a subsequent decline in prices. They also lost business when a number of independent record labels, which were long-standing customers, were acquired by multinational music groups with their own facilities.

## Flights chaos as busiest week begins with crash-landing

More than 12,000 air travellers suffered long delays to flights at Manchester airport in northern England after the crash-landing of a British Airways flight, writes Richard Wolffe. Officials said around 25 flights were caught in congestion following the emergency on Sunday night. Another 50 flights were cancelled or diverted. The incident came at the beginning of the buslest week of the year for air travel and Manchester is the busiest UK airport outside London. Flights were delayed by up to three hours.

Mr John Jones, captain of the flight between Manchester and Knock, in the Repnblic of Ireland, was yesterday praised for landing his plane safely after part of the undercarriage failed. He was forced to circle above the Irish Sea for three hours to use excess fuel before returning to Manchester. The 66 passengers and four crew escaped without serions injury as the plane landed on two of its three wheels.

The eight-year-old Advanced Turbo-Propellor plane, built by British Aerospace, was last serviced at the end of May. British Regional Airlincs, which operated the flight for British Airways, said the failure of the undercarriage was the first to occur on one of its flights. *Picture by News Team*

## Minister to judge IRA truce this month

**By John Murray Brown in Dublin**

Ms Mo Mowlam, chief Northern Ireland minister in the British government, said yesterday she would decide this month on whether Sinn Féin, the political wing of the Irish Republicen Army, would be allowed into talks on the region's constitutional future.

Ahead of what will be her first meeting with Mr Gerry Adams, the Sinn Féin president, tomorrow, Ms Mowlam said it was her "responsibility under the law" to invite Sinn Féin to the talks if the IRA ceasefire was shown to be genuine.

But she stressed that no change in Northern Ireland's links with the UK would be made without the backing of the majority unionist community.

"No one is going to be pnshed or bullied or begulled," sbe said.

Ms Mowlam's comments indicate she is satisfled with Sinn Féin's assurances thet the IRA was not involved in the attempted car bomb attack on a hotel near the border with the Irisb republic last week.

But her speech, to a meeting of business people in Belfast, the Northern Ireland capital, was also seen as an attempt to answer concerns of pro-British unionists. The move comes as Mr David Trimble, the leader of the Ulster Unionist party, embarks on a round of consultations with unionists in the business, church and Orange Order communities on wbether to enter talks if Sinn Féin is admitted in September.

Ms Mowlam reaffirmed the government's commitmsnt to the so-called "triple lock", pointing out "any new arrangements have to be agreed among the parties and have the consent of the people and of the parliament of Westminster".

She applauded the IRA ceasefire as s "major and esssntial contribution" but she said "more can and should be done".

Ms Mowlam said that in order to demonstrste the commitment of both the UK and Irish governments, a disarmament commission would be in place by the time all sides sit down on September 15.

However, she fell sbort of demanding concrete action on decommissioning, as unionists would like. Instead, she indicated Sinn Féin sbould make a "commitment" to the decommissioning of illegal weapons.

Further evidence of this tentative rapprochement surfaced yesterday with signs that nationalist residents and the Protestant Apprentice Boys are close to agreeing a compromise for Saturday's planned Londonderry march, which has traditionally passes along the city's historic battlements. Parts of these overlook the hardline republican area of the Catholic Bogside.

## Report to urge neutral directors

**By William Lewis and Jim Kelly**

A shake-np in the way non-executives are paid, and their role in boardroom disputes, could follow recommendations to be made today by the Hampel committee on how companies run their affairs.

The report will recommend that public companies sbould consider nominating one of their non-executives as a senior independent director in an attempt to enbance good corporate governance.

Members of the committee, chaired by Sir Ronald Hampel, chairman of ICI, foresee shareholders making use of the senior non-executive to express concerns about the performance of executive directors. The suggestion follows complaints from institutional shareholders that they are often unable to register concerns about the performance of executives at the companies in which they invest.

The so-called recognised lead independent director may also be consulted by executive directors concerned about the activities of colleagues.

The report will also clear the way for non-executive directors to be paid partly in shares in an attempt to align their interests with those of shareboiders. Non-executive directors are currently paid a flat annual fee for the work they do sitting on company boards, but there have been widespread calls for this to change.

The document will also stress that the report of the earlier Cadbury committee did not lay down strict rules requiring companies to separate the roles of chairman and chief executive. As long as there is a proper balance on companies' boards, chief executives should be permitted to take the post of chairman, the committee has concluded.

More generally, the Hampel committee will urge a shift from corporate governance regulations towards a system of hroad principles. Members have concluded that the interpretations made by shareholder and consultancy groups of the Cadbury and Greenbury reports – the predecessors to the Hampel committee wbicb produced the codes that companies follow on corporate governance – have imposed an unnecessary compliance hurden on UK companies.

Rejecting the so-called "tick-box" approach to corporate governance reforms, the Hampel report will call for a set of broad principles for companies to aspire to follow. Members hope that eventually their suggested principles will be merged with the Cadbury committee recommendations.

"Ths members recognise that, unlike the Cadbury and Greenbury committees, they have been able to sit back and think in a considered way how governance can be used to improve the competitiveness of UK companies," a consultant to the Hampel committee said yesterday.

Suggestions that the UK's unitary board system should be replaced by a two-tier system have been rejected.

## PM is accused over Patten 'slurs'

### Blair denies role in drive against former governor of Hong Kong

**By John Kampfner, Chief Political Correspondent**

The opposition Conservative party last night accused Mr Tony Blair, the prime minister, of raising questions abont the reputation of Mr Chris Patten, the last British colonial governor of Hong Kong, in order to divert attention from a series of troubles affecting the government. Mr Patten was a Conservative minister before moving to Hong Kong.

Exploiting the worst week for the Labour government as it approaches its 100th day, Sir Brian Mawhinney, the Conservative shadow home secretary, claimed that officials in the prime minister's Downing Street residence, with his knowledge, had co-ordinated accusations against Mr Patten.

"We have seen them point the finger at the reputation of Chris Patten . . . for no better reason than to divert attention from a number of unfavourable stories and the loss of the Uxbridge by-election [last week]," Sir Brian said. "This operation is being directed from Number 10 [Downing Street] on behalf of the prime minister. His hands are not clean just because he is in Tuscany."

Government officials rejected suggestions of media manipulation, and said Mr Blair had not been involved in the weekend's events.

The prime minister left for holiday on Saturday in the wake of a string of setbacks. Though they have not severely undermined the government, they have damaged its aura of invincibility.

They have included the announcement by Mr Robin Cook, foreign secretary, that his marriage had ended after 28 years; a sustained Conservative attack over the shareholdings of Lord Simon, the former BP chairmsn appointed to the government; and the suicide of Gordon McMaster, a Labour MP in Scotland. Mr Cook said at the weekend that he was solely to hlame for the end of his marriage and thst he planned to live with his secretary.

Officials said Mr Blair and Mr Cook had been made aware several weeks ago of allegations that Mr Patten may have passed intelligence material to Mr Jonathan Dimbleby, s journalist.

On Sunday, officials suggested that the MI6 secret intelligence service might look into the case. Yesterday it was made clear that not even the police would be involved, suggesting s downgrading of the inquiry.

Senior aides denied, however, that the disclosure of the allegations, and the establishment of an inquiry, had been "planted" by ministers over the weekend to offset potential damage caused by Mr Cook's problems.

Unattributable briefings of journalists are an everyday occurence at Westminster, and ministers expressed surprise that the Conservatives had suddenly chosen to decry a tactic they often use.

Downing Street officials ssid they were confident that the investigstion into the apparent leak of Hong Kong documents would be "objective". It is being carried out at the Foreign Office, from where several senior officials past and present attacked Mr Patten's uncompromising approach towards China.

In a further sign of government attempts to assert control over the civil service, it emerged that three heads of information at ministries have left suddenly.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for Trading on 05.08.97 — Final Prices for Trading on 03.08.97

| ½ hour period ending | Pool purchase price £/MWh | Pool purchase price £/MWh | Pool selling price £/MWh | TS use of system price £/MWh |
|---|---|---|---|---|
| 0030 | 10.18 | 10.30 | 10.30 | 0.00 |
| 0100 | 9.90 | 10.01 | 10.01 | 0.00 |
| 0130 | 9.90 | 10.00 | 10.00 | 0.00 |
| 0200 | 9.90 | 10.00 | 10.00 | 0.00 |
| 0230 | 9.90 | 10.00 | 10.00 | 0.00 |
| 0300 | 9.90 | 10.00 | 10.00 | 0.00 |
| 0330 | 9.90 | 10.00 | 10.00 | 0.00 |
| 0400 | 9.90 | 10.00 | 10.00 | 0.00 |
| 0430 | 9.90 | 10.00 | 10.00 | 0.00 |
| 0500 | 10.10 | 10.00 | 10.00 | 0.00 |
| 0530 | 9.90 | 10.00 | 10.00 | 0.00 |
| 0600 | 9.90 | 9.20 | 9.20 | 0.00 |
| 0630 | 10.16 | 10.00 | 10.00 | 0.00 |
| 0700 | 15.23 | 10.31 | 10.31 | 0.00 |
| 0730 | 15.27 | 12.51 | 12.76 | 1.17 |
| 0800 | 15.44 | 17.32 | 17.57 | 1.17 |
| 0830 | 16.16 | 17.24 | 17.50 | 1.17 |
| 0900 | 16.35 | 17.44 | 17.72 | 1.17 |
| 0930 | 18.45 | 18.33 | 18.64 | 1.17 |
| 1000 | 19.10 | 21.45 | 21.78 | 1.17 |
| 1030 | 19.10 | 21.49 | 21.84 | 1.17 |
| 1100 | 20.67 | 18.53 | 18.86 | 1.17 |
| 1130 | 20.67 | 23.83 | 24.24 | 1.17 |
| 1200 | 20.67 | 24.06 | 24.51 | 1.17 |
| 1230 | 20.67 | 35.95 | 36.40 | 1.17 |
| 1300 | 20.67 | 23.85 | 24.25 | 1.17 |
| 1330 | 18.45 | 18.41 | 18.74 | 1.17 |
| 1400 | 16.92 | 18.25 | 18.55 | 1.17 |
| 1430 | 16.64 | 17.62 | 17.89 | 1.17 |
| 1500 | 16.64 | 17.43 | 17.71 | 1.17 |
| 1530 | 16.64 | 17.45 | 17.73 | 1.17 |
| 1600 | 16.64 | 17.66 | 17.98 | 1.17 |
| 1630 | 16.92 | 19.86 | 20.19 | 1.17 |
| 1700 | 18.42 | 21.40 | 21.73 | 1.17 |
| 1730 | 18.42 | 21.31 | 21.62 | 1.17 |
| 1800 | 18.42 | 17.48 | 17.78 | 1.17 |
| 1830 | 18.42 | 17.32 | 17.57 | 1.17 |
| 1900 | 18.42 | 21.07 | 21.31 | 1.17 |
| 1930 | 18.42 | 21.07 | 21.31 | 1.17 |
| 2000 | 15.70 | 12.69 | 12.93 | 1.17 |
| 2030 | 15.63 | 10.33 | 10.33 | 0.00 |
| 2100 | 15.70 | 10.32 | 10.32 | 0.00 |
| 2130 | 20.13 | 12.69 | 12.93 | 1.17 |
| 2200 | 25.31 | 23.53 | 23.77 | 1.17 |
| 2230 | 17.94 | 23.53 | 23.77 | 1.17 |
| 2300 | 17.94 | 23.53 | 23.77 | 1.17 |
| 2330 | 12.61 | 12.69 | 12.93 | 1.17 |
| 2400 | 18.27 | 12.69 | 12.93 | 1.17 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.89/MWh becomes 1.689p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0118 945 6789 between 8.30am and 5.15pm Monday to Friday.
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## Lead in drinking water may exceed EU safety limit

**By Michael Peel in London**

Millions of consumers could in future be drinking tap water that exceeds the legal limit for lead, even though their water supply companies are meeting health and safety standards.

The UK government has no plans to oversee replacement of the domestic lead piping which the water industry and the Consumers' Association say may cause tap water to fail to meet new European standards.

A draft European Union directive seeks to achieve a level of 10 microgrammes of lead per litre of water within 15 years, in line with World Health Organisation recommendations. The UK standard is 50 microgrammes per litre, averaged over a series of tests.

The government's environment department said there were more lead pipes in the UK than in many other EU countries. "Althongh France has a big prohlem with lead pipes, other countries which devsloped their infrastructure later than ns used other substances such as copper and so don't have such a big problem," an official said.

A report published last month by the UK Drinking Water Inspectorate showed that, although only 2.3 per cent of tap water samples last year contained more than 50 microgrammes of lead, 16.3 per cent exceeded 10 microgrammes.

Lead is a heavy metal which can cause nervous disorders if it builds up in the body in sufficient quantities.

Research published in April by epidemiologists at the University of Lancaster and two nearby hospitals in north-west England found that high lead levels might also cause neural deformities in embryos.

The National Customer Council of Ofwat, the water industry regulator, said last year it would cost the water industry about £2hn ($3.2hn) to replace its 7.2m supply pipes made of lead.

However, the Royal Commission on Environmental Pollution has estimated that, because most lead piping is in people's homes, it would cost £8bn for consumers to replace all domestic lead piping.

The environment department said the draft directive made no provision for European Union grants to help consumers replace domestic lead pipes.

"It's the consumer's responsibility, although families on low incomes can receive help from home improvement grants," it said.

The Water Research Council estimated in 1992 that, whils abont 8.9m properties still had lead piping, only abont 1.5 per cent replaced lead pipes each year.

The Water Companies Association, which represents the water supply companies, admitted domestic lead piping was a "big issue", hut said: "The responsibility of the water undertaker ends at the stopcock at the boundary of the property."

So tap water could fail to meet the revised limits even though the company which supplied it had replaced all its lead pipes.

The government has made it clear that domestic pipe replacement is the responsibility of consumers.

UK NEWS DIGEST

## Union threats at bank and BT

Two of Britain's biggest employers – Barclays Bank and British Telecommunications – face industrial action next week. Two of Barclays' banking unions are discussing a joint overtime ban, while BT engineers in London will stage a one-day strike next Tuesday over the use of contract labour.

The Barclays dispute is over a new pay and grading structure which has already been imposed on staff. Unifi, with more than 30,000 members, and Bifu, with 7,000, said yesterday they would discuss the timing of a joint overtime ban after the bank turned down a request to go to Acas, the government-funded arbitration service. The unions claim that the new pay structure means that most staff will have their pay and pension frozen. Barclays says it rewards performance, rather than how long a member of staff has worked for the bank. The bank insists the new scheme does not constitute a pay freeze.

The BT strike will involve engineers working on phone repairs and installation. Members of the CWU communications union voted by 1,202 to 268 in favour of industrial action. It will be followed by further action, to be announced later. BT expressed disappointment that its engineers had felt the need to take industrial action. "We have been having talks on the issue of contractors – and are more than happy to keep the discussions open," it said. "Our concern will be to minimise the impact on our customers in London." *Andrew Bolger*

■ THE ECONOMY

### Higher interest rates expected

The expected level of UK interest rates nudged higher yesterday, despite figures from the Bank of England, the UK central bank, showing that the growth in the amount of cash circulating in the economy continued to slow last month. The value of notes and coins in circulation rose by 0.2 per cent in July after adjusting for seasonal patterns. This cut the annual rate of increase to a 20-month low of 5.6 per cent.

With the Bank's monetary policy committee due to begin its monthly deliberations tomorrow, interest rate expectations edged higher in the financial futures markets. Most economists expect the committee to raise rates by a quarter-point for the fourth successive month. This would take base rates to their highest level since the aftermath of sterling's departure from the European exchange rate mechanism in 1992. But there are a number of analysts predicting either no change or a rise of a half-point or more. *Robert Chote*

Editorial Comment, Page 11

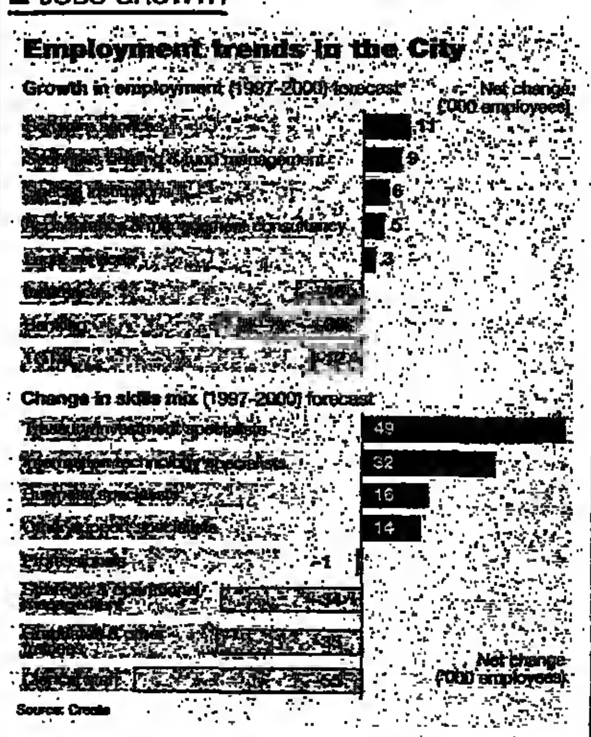
■ CROP DAMAGE

### Checks stepped up on beetles

Government inspectors are stepping up checks on fresh produce arriving from Greece after hundreds of potentially devastating colorado beetles were found in a truckload at the eastern England port of Harwich. The government yesterday notified the European Commission and warned the Greek authorities to ensure future consignments of vegetables exported to the UK are free of the pests. The beetles, about 1cm long with black and yellow stripes, can ruin crops of potatoes by stripping the plants of their leaves.

The truck was loaded at Piraeus and crossed Italy and France to Dover, from where it was driven round the M25 London orbital motorway to Harwich. It contained mixed provisions for a Greek cruise ship moored at Harwich. Colorado beetles, which reached France from the US in 1922, have spread across Europe but not settled in the UK, Republic of Ireland or Scandinavia. The last colony in the UK was found in 1976 and eradicated. *Alison Maitland*

■ JOBS GROWTH




### Finance sector flexibility urged

Britain's financial institutions must adopt a new form of flexibility if they are to cope with the employment changes sweeping their sector, says a report published yesterday. The report predicts thet by the end of the decade, sbout 113,000 new jobs will be created for knowledge workers in areas such as treasury, investment and information technology, mainly in the City of London. But 125,000 clerical and managerial jobs will be spread across the country – mainly in banks, building societies (mutually owned savings and loans institutions) and insurance companies. The report says: "Involving 28 per cent of the workforce, a shift of this scale has no precedent in the sector. It reflects the profound culture change now in progress."

Based on a survey of 350 institutions, the report was produced by London Human Resources Group, an independent network of senior personnel professionals, and Focus Central London, Britain's largest Training and Enterprise Council. *Andrew Bolger*

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Counting engineering patents gives a clearer idea of the value of research, says Peter Marsh

# Patently clearer

Is there a link between technological expertise and commercial success? While most people developing new technical ideas would like to think the connection was strong, the evidence for a direct relationship has been open to dispute.

But help is at hand for the high-tech *aficionados* in companies who seek proof that their efforts are paying off in pushing up sales. It comes in the form of a 535-paga report from the Ifo research institute based in Munich on the competitiveness of the European Union's mechanical engineering industry as against rival companies in the US and Japan.

The study, conducted for the European Commission, provides some of the hardest evidence yet that technological prowess in particular fields, provided it is correctly developed into the appropriate business areas, can provide direct commercial advantages.

The main arguments concern the US, which over the past decade has steadily increased its share of world patents in key technologies linked to engineering, without pushing up significantly the money spent by its engineering induatry on research.

The reward for this has been a jump in the US's share of world trade in mechanical engineering products over this period, as against a fall in the equivalent figure for the European Union and Japan.

Taking tha average of world trade in these prodncts for 1987-90 and 1991-94, the US's share increased ovar the two periods from 20 per cent to 21.2 per cent.

Over the same time, the EU share declined from 44.7 per cent to 40.0 per cent, and the Japanese figures went down from 23.7 per cent to 23.2 per cent.

in the decade to 1994, real output in the US'a mechanical engineering industry rose 35 per cent, as against a 9 per cent rise in the EU and a decline of 5 per cent in Japan.

The report concludes that the US mechanical engineering industry "had by far the best performance" over the period.

What in technological terms lies behind this? The report's key message is that money alone is not the way to success.

The US is a miser when it comes to research and development spending in engineering. As a proportion of mechanical engineering turnover, it invests 70 per cent of the EU's research figure and just over half the equivalent amount apent in Japan.

What appears to count is the the direction of the reaearch effort – in particular in "upstream" technologies such as electronics and optics that can enhance the performance of machinery through new features that will appeal on world markets.

This is where the Ifo institute has broadened out the conventional debate on research – which normally hinges on R&D spending – to look not just at these figures but also patent statistics.

Counting the numhers of worldwide patents in apecific fialds related to engineering is, the authors argue, a better way of assessing research quality because this measures "outputs" from research, rather than "inputs".

In its patents investigation, Ifo counted all mechanical engineering patents issued worldwide (rather than in just one country) between 1987 and 1994. The qualification meant patents not judged important enough to have glohal applications were sifted out of the search.

Rather than looking at just US patents, the institute also included those issued by Canada and Mexico, the other countries in the North American Free Trade Agreement. But since US research and development activity is far higher than that in the other two countries, the Nafta figures can be taken as a proxy for the US alone.

Between 1987-90 and 1991-94, the EU countries kept their proportion of world patents constant at 46 per cent. While Japan's share went down from 23 per cent to 19 per cent, the Nafta countries' share rose from 22 per cent to 26 per cent.

The US and the other Nafta nations made particular strides in key electronics-related technologies relevant to hoosting the performance of machinery products.

According to Ifo, the US has done noticeably better than the EU in developing advanced technologies which create "advantages that make some of the mature technologies [solely related to mechanical products] obsolete".

For example, over the two, four-year periods, the US and the other Nafta nations pushed up patents in electronic components from 25 per cent of the world total to 31 per cent. Over the same period, the EU figure went down from 18 per cent to 17 per cent, as did the Japanese proportion, from 52 per cent to 44 per cent.

In a further five areas of technology – electronics systems, new materials, lasers, instrumentation and optics – the US and the other Nafta nations increased their share of patenting in four of them. Over the same period the EU and Japan managed to increase their share in one field each, instrumentation and lasers respectively.

As for specific countries within Europe, the study's message is slightly less emphatic hut still tilts towards the notion tbat properly channelled high-tech expertise is likely to lead to rapid commercial pay-offs.

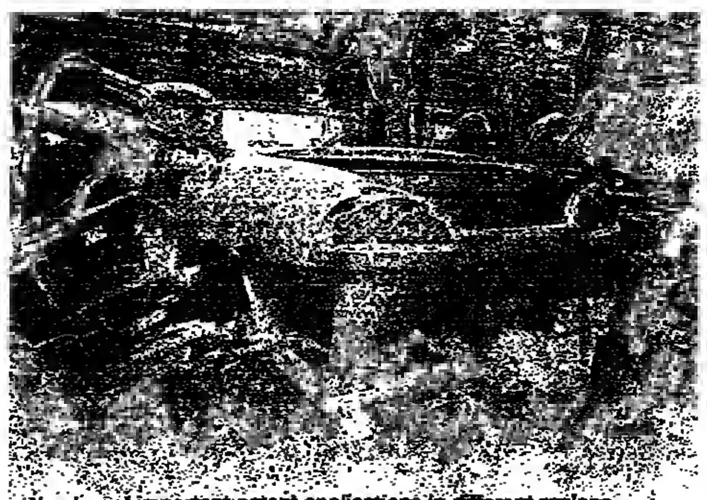
For example, the UK engineering industry scores particularly low marks in the report for innovation. Between 1987 and 1994, its share of total EU patents in technologies relevant to the mechanical engineering industry fell in 10 out of the 12 broad technology areas studied. The country's share in world trade in these products fell, meanwhile, over the period from 7.1 per cent to 5.9 per cent.

While Germany slightly increased its shares of world patents in relevant technologies over the period, its record on turning this expertise into higher sales was fairly patchy. Its share of world trade in mechanical engineering fell sharply, from 26.5 per cent in 1987 to 20.2 per cent in 1994.

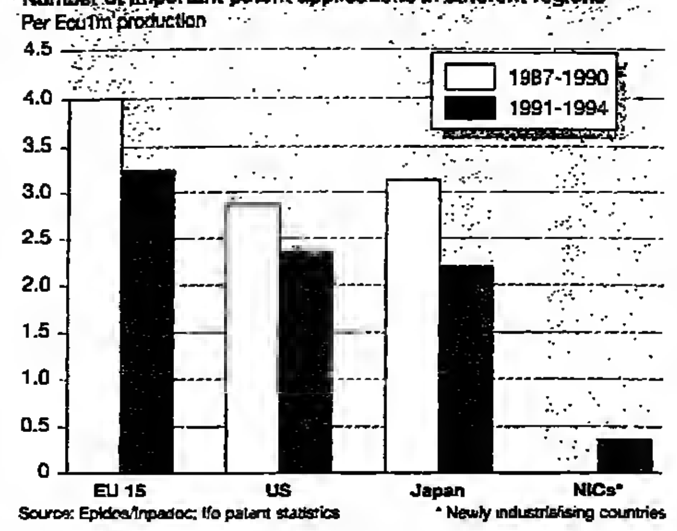
The message appears to be that – although scoring highly in technology – Germany's mechanical engineering industry has had difficulty translating this into commercial successes perhaps through management weaknesses or problems related to the weak economy. Among the other big EU countries, France and Italy emulated Britain by reducing patenting activity, and also saw reductions in world trade shares.

For the next few years, the Ifo authors expect the EU to find it hard to narrow the gap witb the US after its spurt in performance since the mid 1980s. With the US and to some degree Japan having "more innovative upstream industries" providing key technologies such as electronics, the EU companies face a "handicap . . . which will gain importance in the years to come."

*Monitoring the evolution in the competitiveness of the EU mechanical engineering industry, Ifo Institute, Poschingerstrasse 5, D-81679 Munich. Fax 00 49 89 9224 1461*



Number of important patent applications in different regions




Source: Epidos/Inpadoc; Ifo patent statistics

* Newly industrialising countries

# The measure of strength

Which areas of mechanical engineering represent strengths and weaknesses for different countries? A report hy Ifo, the Munich-based economic research institute, uses statistics on patents and world trade to come up with axamples of specialist fields in which the European Union, the US and Japan have particular advantages.

The EU scores particularly highly in the area of food and packaging machines.

In 1994 it accounted for a remarkable 63.5 per cent of world trade in these systems, thanks mainly to German and Italian companies which between them account for nearly half the world trade in the devices.

The EU also has a high showing in world patents for food machinery, accounting for 51 per cent of the total.

Another strength for the EU is in paper machinery. In 1994 the EU accounted for 53.6 per cent of world trade and 56 per cent of patents.

Although the EU's showing in taps and valves – another generally strong area – has slipped in the past decade, in 1994 it accounted for 46.7 per cent of trade and 49 per cent of patenting.

Like the EU, the US can claim leadership in three fields: engines and turbines, pumps and compressors, and taps and valves. In each field, it has shown higher scores over the past 10 years, as measured by proportion of world trade and patents, than would he expected by looking at the performance of the US mechanical engineering industry as a whole.

Thus in engines and turbines the US accounted for more tban a quarter of world trade in 1994 – above the figure of 21.2 per cent for the whole of the mechanical engineering sector.

It had an even better 'score' in patenting activity, accounting for more than a third of world patents in engines and turbines filed in several regions, compared witb the average for US mechanical engineering in its entirety of about a quarter.

Japan, according to the Ifo report, has technological and trade strengths in three areas: transmission machinery such as bearings, machine tools, and textile manufacturing systems.

In all these fields it bas world shares, in both patents and trade, of about a quarter or more.

Japan has three of the world's six biggest bearings companies: NSK, NTN and Koyo.

Thanks partly to their efforts, Japan pushed up its world trade in transmission systems from 30.2 per cent in 1987 to 37.8 per cent in 1994.

**PM**

# All clear for ink

Many office printers churn ont endless pages which are mostly discarded. Soon, however, no page need be wasted thanks to a printing process based on re-printahle paper.

Tiny dots of special Ink encapsulated within ordinary paper are the key points in the new system. Their chameleon properties can he exploited again and again using heat or lasers. The result is paper that can be wiped clean and constantly re-printed.

"In our hlack and white printer, hriefly raising the temperatnre turns the ink clear," explains Joseph Jacobson of the Media Laboratory at Massachusetts Institute of Technology. "It is then stahle in that state at room temperature. To re-write that pixel, a lower temperature turns the ink hlack again, and that is also stable at room temperature."

For colour printing, three different-colonred inks are switched oo and off using the light from three different-coloured lasers. The inks can he mixed together in each micro-huhhle because each laser only activates its own ink. In monochrome, a single sheet conld be re-used 100 times in a printer with the rnnning costs of a fax machine. At laser printer prices, full 4,000-shade colour will appear on each page, which can be used 1,000 times.

The patented technology has already prodnced 300 dot-per-inch resolution hut Jacobson believes 600 to 1,000 dpi to be possible. His work has been the snbject of license enquiries.

According to Nicholas Negroponte, founder-director of the Media Lahoratory: "Until now the intelligence of printing has been either in the printer such as in laser printers, or in the paper, such as in photography. Now the intelligence can he in the ink."

**Damian Carrington**


## BUSINESS OPPORTUNITIES

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| *Included in July Report* | £ | *Included in August Report* | £ |
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| OTC Male Impotence Treatment | 500k | Car Window Antenna System | 200k |
| Low Cost Water Transportation | 1.2m | Plant Emissions Monitoring S/W | 1.0m ✓ |
| Computer Games Developer | 450k | Video Conferencing Systems | 100k |
| Up-Market Property—Devon | 600k | Computer Telephony Integration | 200k ✓ |
| Instrumentation Repair & Calib | 240k | Preformed Road Markings | 300k ✓ |
| Aircraft Spare Parts Supplier | 250k | IBM RS/6000 SP Training | 350k |
| Electronic Design Automation s/w | 100k | Internet Services Group | 2.0m |
| | | Telephone Systems Maint | 240k ✓ |
| | | Film - Urban Ghost Story | 50k |
| *✓Presenting to subscribers* | | S/W Training Multimedia | 150k ✓ |
| *London, 21 August 6.00pm* | | Water Maintenance Craft | 60k |
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FT Surveys


# INTERNATIONAL PEOPLE

## Drewry heads British Council

For the first time, the British Council has opted for a scientist to be its new director-general – David Drewry, s 49-year-old geophysicist, who has headed the Natural Environment Research Council (NERC) since 1994.

The appointment also marks a return to the council's habit of choosing an outsider, after the tenure of Sir John Hanson who rose within the organisation to become director-general in 1992 and who retires next January.

Drewry's appointment to the £90,000-s-year joh is undoubtedly aimed at giving a thoroughly modern image to British culture, whicb the council, an independent charity, promotes ahroad at a yearly cost of £430m.

Yet, in some respects, his career seems more geared to penguins than people. Drewry's speciality is the *Antarctic*, where ha first headed the Scott Polar Research Institute and then the British Antarctic Survey. "Obviously the British Council is not going to open offices st the South Pole," he said. "But the international dimensicn of the Antarctic – in which some 25 countries from all continents co-operate – is something I intend to leverage with the British Council."

The other factor that may have put Drewry in pole position ahead of 311 other candidates for the council directorship is his recent work at NERC, which is the main funder of environmental research in the UK.

He said: "Our emphasis no a sustainahle global environment is very much in tune with the priorities of the new government, especially the new Department for International Development. I intend to make the world more aware of what the UK can offer in terms of expertise and know-how in this area."

Drewry is familiar with criticisms shont the council's traditional role of teaching foreigners English and suggestions that the internet and international financial markets are doing more to promote English than the council's 1,450 language teachers ever can.

"One can't be complacent. One has to ensure these international developments work to Britain's advantage," be says. "Besides," he sdds, with a rather British Council sniffiness, "internet English is only a form of English."

*David Buchan, London*

## Sumitomo promotes its local talent

Sumitomo Bank has broken new ground hy sppointing a European to head its Asian corporate banking department in London.

Matthew Grayson, a fluent Japanese speaker, will be responsible for the bank's relations with Japanese and Asian clients in Europe, the Middle East and Africa.

Grayson will be the first British banker in this role for Sumitomo, and is believed to be the first to hold this kind of position in any Japanese bank. Sumitomo said the appointment reflected its drive to localiss responsibilities in its overseas offices, as well as the internationalisation of its whole organisation.

Grayson, 35, worksd for two years with a Japanese manufacturing company. He then spent eight years at National Westminster Bank, based in both London and Tokyo, working on structured finance and credit analysis. He has been with Sumitomo Bank for the last 18 months.

*George Graham, London*

## Damiani joins service industry

Vincenzo Damiani, who has spent most of his career in the computer hardware business, is joining ths computer service industry.

Damiani, formerly presidsnt of Digital's European operations, has joined Electronic Data Systems, the computer services company, as a member of the Europe, Middls East and Africa (EMEA) executive board with responsibility for the Italian and Swiss business units.

He will also co-ordinate the EMEA business development, marketing strategy, public affairs and corporata communications functions. EDS is traded on the London and New York stock exchanges.

*Lisa Wood, London*

## Togo leads Nippon Credit

Shigeoki Togo, 53, will become the youngest head of a leading Japanese bank when hs assumes the presidency of Nippon Credit Bank later this month. Togo also ranks as the fastest rising executive in Japan's commercial banking industry. A former executive of the Bank of Japan, he headed the central bank's international division before joining NCB last year to help develop a restructuring plan for the troubled bank. He became vice-president in June.

NCB is one of Japan'a three long-term credit banks and incurred big losses in the last business year on write-offs of massive bad loans.

Togo will replace Hiroshi Kubota, the current president, who will become the bank's chairman. Kubota is a former bureaucrat and headed the finance ministry's powerful taxation bureau before joining NCB.

Togo and Kubota engineered a successful Y300bn recapitalisation plan which was launched in April and completed in July, as well as a business tie-up with Bankers Trust. Togo said he and Kubota would press ahead with reconstruction efforts, hnt acknowledged there was still a long way to go to restore NCB's credit worthiness in the eyes of domestic and international investors and customers.

*Gwen Robinson, Tokyo*

## ON THE MOVE

■ RAND MERCHANT BANK, the South African merchant bank has established a UK subsidiary, RMB International, which *will conduct its corporate* finance business in the UK. Nicbolas Banszky, who was recently appointed to run RMB's representative office, will have overall responsibility for the operation.

■ Bart Scbwartz, president of Decision Strategies International, bas been appointed chairman of the newly created, five member NEW YORK CITY GAMBLING CONTROL COMMISSION for a non-salaried term of two years. Schwartz will oversee the commission which is authorized to license and regulate businesses that engage in shipboard gambling on vessels that depart from New York City.

■ CMG, the European IT services group, has appointed Wilko Börner, 59, as a non-executive director. Prior to his retirement in 1995, be was chief executive of the Volksfürsorge group, a German insurance group.

■ COOPERS & LYBRAND L L P bas appointed Samuel DiPiazza as client service vice-chairman for the tax line of husiness. Rocco Maggiotto will succeed him as client service vice-chairman and managing partner for the firm's New York offices. *DiPiazza* succeeds Alan LeBovidge who has become partner in charge of the firm's national tax practice in Washington.

■ NATWEST MARKETS has appointed Deborah Bronston, as managing director and director of research, US equities. Prior to joining NatWest Markets, Bronston was with Prudential Securities for 14 years.

■ Daniel O'Brien has been named vice-president and treasurer for GTE CORPORATION. He is responsible for GTE's worldwide treasury operations. O'Brien, who joined GTE in 1983, bas been assistant treasurer – capital markets since October 1995. GTE also announced senior staff for its new consolidated world headquarters, finance and planning. Dan Cohrs, 44, who joined GTE in 1993 and most recently served as vice-president and treasurer becomes vice-president and chief planning & development officer. William Edwards, 49, has been appointed vice-president and controller.

■ SALOMON BROTHERS Asia Pacific, have announced the appointment of Wing Fai Ng as director, *financial institutions, Asia* Pacific Investment Banking, effective August. Prior to this appointment Ng worked at SBC Warburg.

■ Richard Glasspool has moved from Bulgaria to KPMG Moscow, where be has been appointed partner in charge of the firm's management consulting practice in Russia. Bill Drysdale, until recently managing partner of KPMG Poland has succeeded Glasspool as managing partner of KPMG Bulgaria.

■ NRG ENERGY has elected Brian Bird to the position of corporate treasurer. NRG is among the world's leading independent power producers. Bird previously worked for Deluxe Corporation.

■ FLUOR DANIEL has sppointed Rein Kutsch Lojenga president, Europe and Central Asia. Kutsch Lojenga, who joined Flour Daniel in 1972, will replace Carel Smeets who earlier announced his retirement, effective October 31.

■ BRUNSWICK CORPORATION has announced thet Roger Patterson has been named president of its US Marine division. Patterson replaces Robert Steinway.

■ *Alistair Nicholson* has been appointed managing director of ORD MINETT New Zealand. He takes up the position left vacant since Robert Morrison was named Bankers Trust NZ chief executive. Nicholson comes from Lehman Brothers in Hong Kong.

■ SEAGATE TECHNOLOGY a manufacturer of information storage, access and management products has promoted Michael Huntley to senior vice-president, Worldwide Disc Drive Sales. Huntley, formerly senior vice-president and general manager of Seagate Tape Operations in Costa Mesa, California, will be based in Scotts Valley, California.

■ GENNUM CORPORATION has promoted Ian McWalter to executive vice-president and chief operating officer. At Gennum, McWalter has been responsible for research and development and for manufacturing operations.

■ *JCI, a South African* diversified mining company, has appointed Brett Kebble as an executive director. Kebble is currently an executiva director of gold producer Randgold & Exploration.

■ *Insurer* GIO HOLDINGS has appointed Stanley Howard as chairman. The appointment of Howard, who is chairman of a number of other listed companies, followed the death of John Iliffe on May 24.

■ COASTAL has appointed David Arledge as chairman to succeed 73-year old Oscar Wyatt, the founder of the company. Arledge has been chief financial officer of Coastal since October 1995 and its presidant since March 1994.

■ NORWEST CORPORATION has appointed financial services consultant and executive Anat Bird to the new position of senior vice-president, strategic initiatives. She joins from the Roosevelt Financial Group, recently acquired by Mercantile Bancorporation.

■ CARLISLE COMPANIES has announced that Kern Scott, currently serving as president and chief executive of Carlisle SynTec, has been appointed president, Carlisle Europe.

■ LEAR CORPORATION has promoted Eric Kozlowski, Dennis Kodej, Miguel Herrera-Lasso and Joe Zimmer to vice-presidents of the company'a GM division.

■ KPMG MANAGEMENT CONSULTING has appointed three directors to head its new global supply chain unit. Gary McIlraith becomes head of supply chain, Europe. He was previously a partner in charge of the supply chain practice in the UK. Robert Hutchinson becomes head of supply chain, Americas, and global supply chain practice leader. Amanda McMullan, a partner and director in charge of the logistics and business operations practice of KPMG Management Consulting in Australia, becomes head of supply chain, Asia-Pacific.

### International appointments

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Nature of business: Health & Safety Software Manufacturers
Trade classification: 7484
Date of appointment of Joint Administrative Receivers: 23 July 1997
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هكذا من الأصل

ARTS

# Rain stops play in Avignon

## But the inclement weather did not ruin the entertainment at the festival, writes Andrew Jack

Two of the principal differences between the Avignon Festival and its Edinburgh equivalent faded away this year: the hot summer weather, and the dominance of French culture.

For almost the first time in its history, rain – combined with the cold Mistral wind – came temporarily to the provençale city – leaving spectators unexpectedly under-whelmed by the number of open-air venues which suffered cancellations and delays.

That said, there were still plenty of opportunities to enjoy the normal delights of sitting outsida, with historic buildings such as the Palais des Papes for a backdrop for selected "in" pieces and only the clear night sky for a roof.

In the case of *Landscape after the battle*, a piece of contemporary dance by the Albanian choreographer Angelin Preljocaj, the rain provided some extra amusement as the performance was stopped for 25 minutes while three of the staff, armed with brooms, formed an unanticipated ballet brushing the stage dry.

It also added a good deal of dramatic tension, as we had sat at the start staring for a long period at three distinctly immobile chairs, the only movement coming from a backdrop of luminescent pink shag-pile carpet and some outrageously kitsch leopard-skin curtains fluttering in the wind.

The piece finally got off to a striking beginning as men and women paired off, leaving one man isolated and drifting sadly off the scene. The initial rapturous dancing of the remaining couples changed abruptly as the tension mounted.

Three of the women turned to limp corpses and were tossed back and forth by their partners like rag dolls.

The energy and originality of the piece was also evident in another scene, in which six men – switching between three chairs arranged in a triangle – perpetually changed position, leaping over each other and sitting on each others' laps.

Elsewhere, the work – apparently inspired by an imegined meeting between Joseph Conrad and Marcel Duchamp – contained several surreal moments, not least the stripping gorillas who revealed stark naked men beneath.

These men lay down passively to be "raped" by a woman, as another laboured away on a power drill behind them, sending huge orange sparks flying across the scene.

The clear homo-erotic references, the fact that the male dancers received most of the main parts, and the visible lack of compassion between men and women during the piece certainly made a change from much conventional ballet.

But there was a lack of overall coherence, and some extracts lacked either music or dance, making the choreographer's intentions difficult to digest or simply incomprehensible.

Preljocaj was only one example of the growing role of foreign directors, writers and actors at Avignon. This year, this was characterised above all by the presence of more than 200 Russians presenting a wide variety of events, each sponsored by Russian companies and institutions.

Next year, the international theme will switch to focus on south east Asia.

The growing international perspective of the Avignon festival was also evident in the choice of one of the centre-piece plays in the Palais des Papes, *Nathan The Sage*, by the rarely performed 18th-century German playwright Gotthold Lessing.

The play, set in Jerusalem, is an extraordinary tale of growing tolerance between Jew, Christian and Moslem – simply but beautifully represented on stage here by three simple interlocking scaffolds shaped into appropriate skyline outlines of minarets, towers and spires.

It contained some memorable lines in the French translation, not least the reproach by the Crusader Knight drawn into friendship with Nathan the Jew: "let time, not curiosity, form the basis on which you know me".

Even one of Avignon's more long-standing spectacles, Zingaro, a cross between dance and circus, with horses at its centre, had turned well beyond the "hexagon" of France for the inspiration of its third show: *Eclipse*, was an exploration of Korean culture – although the links did seem, at times, a bit contrived.

The bright full moon outside was mirrored by a huge illuminated circular drum to one side of the ring, and the wailing wind around the hangar in which the performance was staged added to the sense of drama within.

In a superb opening scene, a hand emerged from the darkness as snowflakes fell. Gradually a hunched body unwrapped itself and stretched, before walking off-stage, dragging a vast black cloak the size of the arena with it.

Elsewhere, the troupe's impressive horses galloped around as a dancer swathed in black, and later white, swirled cloaks in an infinite variety of patterns. The international performers, hooded and cloaked, only revealed their true skin colour and gender as they disrobed at the end.

After a while, some of the acts began to seem a little similar, although the biggest disappointment was the director himself, Bartabus, who showed little of his skills as e horseman but periodically rode arrogantly on to the scene to preside over his team.

You wouldn't have thought it necessary to announce at the start that smoking and cameras were forbidden. The one warning not provided – that portable phones should be switched off – was a sad omission, given that at least one rang during the show. The shameless owner responded and began a conversation.

That remains, one hopes, a difference not yet matched in Edinburgh.

Aspen Festival

# More than a talent to amuse

The Aspen Music Festival is very quick off the mark. Last year, it offered the world stage-premiera of Michael Torke's recent television opera for Channel 4, *King of Hearts*. Now it has given the first American staging of *Powder Her Face*, the Thomas Adès *succès de scandale* from the 1995 Cheltenham and Almeida Festivals.

Truth to tell, it ran no risk of scandalising its wider audience (median age 57 – and its younger members come mostly from the concomitant music summer school). That is the devoted audience for concerts in the big Music Tent, which holds some 1700 people and accommodates many more on the lawns outside. The excellent new Harris Concert Hall draws 500-strong audiences for chamber music. By contrast, the little Wheeler Opera House (1889) rarely seems to be quite full – at least for contemporary operas.

There was – and still is – much to hear at Aspen, and naturally to see, too, but I had time for only a fraction of it. A solid, earnest performance of Mahler's Ninth under the festival's new music director David Zinman, by the Aspen Festival Orchestra (the section leaders are top professionals, the rest Aspen music school students, for whom playing the Ninth must have been a tremendous experience); a taut, highly nuanced account by the Takács Quartet of Schubert's "Death and the Maiden".

Also the first half of all Beethoven's works for cello, played by the cool, civilised cellist of the Emerson Quartet, David Finckel. I was surprised that he put up so meekly with the explosive bass octaves of his extrovert pianist Wu Han, but later all was revealed: they are married to each other.

For *Powder Her Face*, as with Torke's piece, Aspen persuaded the composer himself to come and conduct. Adès had not conducted the original staging of his opera, so the Aspen performances held a special interest. Besides, muzzy acoustics at Cheltenham had swallowed up most of the words (I missed the Almeida transfer, apparently far more audible); at Aspen they were superlatively clear, and enhanced by surtitles.

*Powder Her Face* is an amusing but unpleasant squib by Philip Hensher on the career of the late Maragaret, Duchess of Argyll, set with inexhaustibly bright invention by Adès. The music glitters, swoons, gasps and snarls; tangos, Cole Porterises, freezes. Yet on repeated hearings, the score reveals a unified basis, almost "simple". Adès marries tone-row technique and intricate rhythmic play with his zest for period-pop, and generates dazzling results.

The "scandalous" hit finds the Duchess humming a sort of aria (singing would be unfeasible) whilst pleasuring a hotel waiter in her room. Each night, a few people scuttled out after the first act; but others adored the mistress's winsome plea to her Duke. "Is Daddy too squiffy for jumpies?" and kept repeating it to each other during the interval.

The four singers, all new young professionals, were brave and effective. As the Duchess, the excellent Dublin soprano Máire O'Brien inevitably lacked the mature poignancy of Jill Gomez's original, but emanated unfailing poise. Afterwards, someone complained "She didn't *deserve* it!" – precisely identifying the flaw in the piece: it breaks this foolish butterfly on a wheel relentlessly, and with hateful glee.

The other three switched deftly between their multiple roles, equal to nearly all their strenuous demands. Adès conducted Aspen's own Contemporary Ensemble (though they had to import a virtuoso accordionist from Canada) with panache and brio. Edward Berkeley's expert production, rather more lavish than the original one, was sympathetically attentive to character. Like it or loathe it, or quite likely both, *Powder Her Face* reveals far more than a talent to amuse.

**David Murray**

The Aspen Festival continues until August 17.

Excellent: Máire O'Brien as the Duchess in Thomas Adès' opera 'Powdar Her Face'

Ballet/**Clement Crisp**

# The Kirov pays homage to Fokine

Ballets die at curtain fall. A play, an opera has a text set on a page, which is the creator's intention. With ballet there is, now, notation and video record, but the past has come to us through an apostolic transmission from ballet-master to dancer, from artists of one generation to their successors. And, as with the whispering game we played as children where a simple message is giggled and garbled, the *Ur*-text is traduced. Faulty memory, caprice, altered physique and training, have created a chain-reaction of variants and misrepresentation. What we are shown nowadays as a traditional repertory is, too often, the equivalent of over-painting, murky varnish, and trimming of the canvas. After only a decade, a ballet's identity can be sadly mutated.

What has to be saved is not just a decent choreographic outline. There is that vital and evanescent matter of "style", which I think is more important than minutiae of step. Without style, the ballet is dead anyway. All of which serves to introduce Thursday's Kirov programme at the Coliseum, the first of two evenings devoted to the ballets of Mikhail Fokine.

Fokine's creations marked the first development in classic ballet as our century began: for Diaghilev be produced the stagings which launched the Ballet Russe and changed the nature of dramatic expression in dance. Since then, they have been staged and re-staged, bonoured and maltreated. *Firebird* and *Petrushka* have endured well. Others have undergone the sea-change implicit in altered physique and different artistic ideals: who can now bring anything to a Nijinsky role? Is any ballerina able to suggest Karsavina's grace and intelligence on stage?

What the Kirov offers in Fokine's larger pieces is a continuity of style, of belief. Kirov dancers know what these ballets are about as part of their culture. So their version of *The Firebird* (given in the beautiful original design by Golovin) is excellent in its energy and innocence – those vital elements of fairy tales. The text is like that supervised by Serge Grigoriev (Diaghilev's regisseur and memory) and Tamara Karsavina (the first Firebird), which was mounted for the Royal Ballet in 1954 and has been happily preserved on film.

The Kirov's dancers delight in it, and Irma Nioradze was a magical bird, with a huge jump and a commanding manner. ("I want the beat of mighty wings" said Fokine to Karsavina: Nioradze gives us this). This is a real *Firebird*, and it is wonderful.

The Polovtsian Dances from *Prince Igor* are, even more clearly, part of the Kirov inheritance since the opera is one of the treasures of the Mariinsky repertory. Whatever the textual differences, the company dance the scene with all the conviction in the world. The set is splendid (it is not the Roerich design Diaghilev commissioned, but has an historical air which is most convincing: how good to see properly painted back-cloths with the Kirov) and the costuming is jovially barbaric. The dancing has enough unbridled force to make us believe, and Alexander Titov's orchestral tempi drove it along at a cracking pace. Only Russians can bring off such rampagings: western troupes never rise above a tennis club dance that has got a bit out of hand.

About *Le Spectre de la Rose* there are rather more problems. The Kirov designs are said to be based on Bakst originals, but little is right. The Rose-spirit wears long-johns the colour of a raspberry sorbet: the Girl is in gauze. The set lacks any of the detail that Bakst wanted – moments before the first-night curtain in 1911 he was trying to find a spot to put a small bird-cage! Farukh Ruzimatov has the thankless task of playing a role made for Nijinsky. He does well to catch something of the Spirit's mystery. Diana Vishneva is a beautiful dancer, but she misses the ecstatic simplicity of the Girl. Karsavina, in old age, once mimed the moment when the Girl holds the rose to her face – the years fell away, and she became for a miraculous second the divinity who created the part. No-one has ever been more entranced or more lovely.

And *The Dying Swan*. Every ballerina worth her salt – and a legion not worth a pinch of it – has a version of Fokine and Pavlova's swan. Each has varied in step and feeling, from heroic to mournful. (Markova was taught the role by Fokine: her interpretation is the most convincing I know.) On Thursday, Yuliana Lopatkina showed us the traditional Kirov text, and very beautifully. Her line, drawn with so sure and inspired a hand, is wonderful. Fokine's swan? Perhaps. Lopatkina's? Yes. And admirable.

I record, with great pleasure, two cast changes in the week's performances of *The Fountain of Bakhchisoray*. Lopatkina was a sinuous, tragic Zarema: she is an artist of vast potential. Irina Zhelonkina was touching, both in grace and feeling, as Maria, her dancing having that gentleness of feeling and a zest of Polish aristocracy that made the role live. And I note that Nikolay Zubkovsky – a vivid, dashing Nurali in this same ballet – is the fourth generation of a dance family at the Kirov. His grandmother is Inna Zubkovskaya, a ravishing ballerina in the Kirov's first visit to London in 1961, and young Zubkovsky is sustaining his family's tradition in the best manner.

The Kirov Ballet continues at the Coliseum, London WC2 until August 9.

INTERNATIONAL

# ARTS GUIDE

## ■ BRECON

**JAZZ**
**Brecon Jazz**
Tel: 44-1874-625557
The best thing about this three-day event is its Welsh market town setting. On Friday the Benny Green Trio plays Christ Collage, on Saturday New Orleans trumpeter Nicholas Payton and his Gumbo Nouveau Quintet can be seen at tha same venue. On Sunday the Carnegie Hall Jazz Band, led by Jon Faddis, is at the Merket Hall. Courtney Pine, Diana Krall, Django Bates and Jools Holland are among the numerous other attractions; Aug 8-10

## ■ DROTTNINGHOLM

**OPERA**
**Drottningholms Slottsteater**
Tel: 46-8-4570600
Orfeo: Swedish premiere of Luigi Rossi's 1647 version of the legend of Orpheus. The producer is Jack Edwards, the musical directors Stephen Stubbs and Paul O'Dette, the designer Robin Linklater and tha choreographer Lucy Graham. With the Drottningholm Theatre Ballet and Orchestra; Aug 5, 7, 9

## ■ EDINBURGH

**EXHIBITIONS**
**Royal Scottish Academy**
Tel: 44-171-624 6200
Sir Henry Raeburn (1756-1823): major exhibition of around seventy works by this most famous of Scottish painters, bringing together the works owned by the National Gallery with loans from around the world; to Oct 5

## ■ LONDON

**CONCERTS**
**BBC Proms, Royal Albert Hall**
Tel: 44-171-589 8212
● BBC Scottish Symphony Orchestra: conducted by Martyn Brabbins in works by Bartók, Strauss and Mahler. With soprano Inger Dam-Jensen; Aug 7
● Bournemouth Symphony Orchestra: conducted by Yakov Kreizberg in works by Mozart, Korngold, Markevitch and Stravinsky. With violin soloist Gil Shaham; Aug 5
● Evgeny Kissen: the Russian pianist gives a solo recital – e Proms innovation – of works by Haydn, Liszt and Chopin; Aug 10
● Georgian Folk Songs: performed by the all-male Rustavi Choir, conducted by Ansor Erkomaishvili; Aug 8
● Jiří Bělohlávek conducts the BBC Symphony Orchestra in works by Bartók, Luciano Berio, Schubert and Dvořák. With mezzo-soprano Michelle DaYoung; Aug 8
● Sir Colin Davis conducts the National Youth Orchestra of Great Britain in works by Sir Michael Tippett, Vaughan Williams and Sibelius; Aug 9
● Trevor Pinnock conducts the English Concert and Choir in works by Bach; Aug 6

**DANCE**
**London Coliseum**
Tal: 44-171-632 8300
● The Kirov Ballet: Fokine Programme 2: *Les Sylphides*, *Schéhérazade* and *The Firebird*, seen here together in 1995, provide the finale to the month-long season; casts vary; Aug 7, 8, 9
● Romeo and Juliet: presented in the original version by Leonid Lavrovsky, set to Prokofiev's score; casts vary; Aug 5, 6

## ■ PESARO

**Rossini Opera Festival**
Tel: 39-721-33184
**CONCERTS**
Latvian Philharmonic Chamber Orchestra: in works by Mozart, Rossini and Caikovskij; with piano soloist Massimo Lambertini; Aug 8

**OPERA**
● Il Signor Bruschino: directed by Roberto da Simone. With the Ort-Orchestra of Tuscany conducted by Corrado Rovaris; at the Auditorium Pedrotti; Aug 10
● Moïse et Pharaon: presented in the version he adapted for the Paris Opera in 1827, Rossini's opera – created as *Moses in Egypt* in 1818 – is staged by Graham Vick. With the Orchestra of the Teatro Comunala di Bologna, conducted by Vladimir Jurowski; et the Palafestival; Aug 9

## ■ SALZBURG

**Salzburg Festival**
Tel: 43-662-844501
**CONCERTS**
● Ensemble Modern: conducted by Hans Zender in a programme including works by Essl; et the Mozarteum; Aug 6
● Klangforum Wien: conducted by Johannes Kalitzke in a programma including works by Essl; at the Mozarteum; Aug 7

**OPERA**
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts e new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitscule; Aug 6, 8, 10
● Le Grand Macabre: by Ligeti. New production conducted by Esa-Pekka Salonen and directed by Peter Sellars. Cast includes Willard White. With the Philharmonia Orchestra and the Konzertvereinigung Wiener Staatsopernchor. Co-production with the Théâtre du Châtelet; at the Grosses Festspielhaus; Aug 5

**THEATRE**
● Der Alpenkönig und der Menschenfeind: by Ferdinand Raimund. Revival of Peter Stein's production, with sets by Ferdinand Wögarbauer. With music by Wenzel Müller; at the Landestheater; Aug 7, 9, 10
● Libussa: by Franz Grillparzer. New production directed by Peter Stein, with aats by Moidale Bickel. Libussa is played by Dörte Lyssewski; at the Perner-Insel; Aug 5, 6, 7, 9, 10

## ■ SANTA FE

**OPERA**
**Santa Fe Opera**
Tel: 1-505-986 5900
● Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. Tha conductor is John Crosby; Aug 6
● Ashoka's Dream: world premiere of Peter Lieberson's opera, with a libretto by Douglas Panick. Conducted by Richard Bradshaw, in a production directed by Stephen Wadsworth; Aug 8
● Cosi Fan Tutte: Kenneth Montgomery conducts Mozart'e opera, sung in English, in a new production directed by Nicolatte Molnar and designed by Bruno Schwengl; Aug 5

## ■ SCHLESWIG-HOLSTEIN

**CONCERTS**
**Music Festival**
Tel: 49-431-567080
● Philharmonie der Nationen: conducted by Justuz Frantz in works by Rossini, Mendelssohn, Respighi and Vardi; at the Rinderstall, Haseldorf on Aug 5; at the Schloss, Kiel on Aug 6; at the Musik- und Kongresshalle, Lübeck on Aug 7
● Taverner Consort & Players: conducted by Andrew Parrott in a programme including works by Bach; at St. Marien-Kirche, Lübeck on Aug 4 and at St. Michaelis Kirche, Hamburg on Aug 5

## ■ TANGLEWOOD

**CONCERTS**
**Tenglewood Festival**
Tel: 1-617-931 2000
● Boston Symphony Orchestra: and Tanglewood Music Center Orchestra conducted by Seiji Ozawa, Leon Fleisher, Keith Lockhart and John Williams in a programma which includes Tchaikovsky's 1812 overture; the Shed; Aug 5
● Clarinet player Richard Stoltzman and pianist Lukas Foss: perform works by Gershwin, Copland, Ives and Foss; Ozawa Hall; Aug 7
● Juillard String Quartet: in works by Mendelssohn, Coplend and Schubert; Ozawa Hall; Aug 6

## ■ VERONA

**OPERA**
**Arena di Verona**
Tel: 39-45-800 5151
● Aide: by Verdi. Conducted by Nello Santi in a staging by Gianfranco de Bosio, revived by Susy Attendoli. Casts vary; on Aug 1, 10 & 15 Maria Guleghina sings the title role
● Carmen: by Bizet. Conducted by David Gimenez, in a staging by Franco Zeffirelli; Aug 7

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COMMENT & ANALYSIS

**Andrew Jack** and **Michela Wrong** look at France's changing policy towards the continent

# Out of Africa

Mr Alain Richard, France's defence minister, calls it the start of a new era in his country's Africa policy.

Though the full details are unlikely to be released until this autumn, he confirmed yesterday that the number of his country's troops – currently 8,100 – will be cut by at least one quarter, and one if not both of its bases in the Central African Republic will be closed.

France, he added, would increasingly co-operate with other countries in the continent, using joint peace-keeping missions with the aim of "stabilising" areas "indispensable for social and economic development", but no longer arbitrating between rival forces.

These actions are perhaps the clearest indications among many that France is changing its attitude to its former colonies. The new Socialist government, for example, has also downgraded its "co-operation" department to the level of a junior ministry, and it has abolished the post of minister for "francophonie" – or French cultural promotion.

"It is difficult to know the pace, but in many ways we are at the beginning of a turning point," says Mr Dominique Moïsi, deputy director of CERI, the French centre for international studies and research.

What is behind the change? The apparent transformation in French policy towards Africa has been brought about in part by the changing political regime in France itself, triggered by the surprise victory of Mr Lionel Jospin's Socialist party at the start of June.

While the French Socialists may not have undergone such a fundamental ideological change as Britain's Labour party over the past few years, its new cabinet ministers belong to a different generation from their leftwing predecessors led by the late François Mitterrand.

During the election campaign, Mr Jospin pledged to change the party's Africa policy, which critics claim had barely changed since colonial times. France's agreements on both defence and economic and cultural affairs, Mr Jospin suggested, were out-dated.

At the end of last month, Mr Pierre Mauroy, the former Socialist prime minister, reinforced the message with a speech in Libreville denouncing "execrable politicians who do not respect democracy" and arguing for "the necessity to revisit and adapt former and traditional French policy" in the region.

That approach stands in contrast to a more paternalistic approach in the past, characterised by the "networks of influence" dominated by Jacques Foccart, France's "monsieur l'Afrique", who died in March, but whose behind-the-scenes service to Gaullist presidents lived on long after the independence of French-speaking countries on the continent since the 1960s.

For many commentators, the approach varied little during François Mitterrand's presidency in 1981-95, despite periodic outbursts about the need to encourage the development of democracy and human rights. Mitterrand even appointed as his Africa adviser his own son, Jean-Christophe, who appeared to co-operate closely with leading Gaullist figures including Mr Charles Pasqua, the former interior minister.

In the past French policy in Africa altered little with the changing political complexion in Paris. Now, however, much of the political spectrum realises the need for change.

For one diplomatic observer, Mr Richard's statements were the logical outcome of a process already set in motion by President Jacques Chirac last year when he announced the abolition of national service in France and the creation in its place of a smaller, professional army. Personnel reductions and funding cuts were the inevitable outcome.

"It was something [the former centre-right prime minister] Alain Juppé wanted to do but he was shouted down by Chirac and Godfrain [the co-operation minister]," he says. "Alain Richard is doing what the Gaullists wanted to do anyway."

For others, the evolution began even before, under the previous Gaullist prime minister, Mr Edouard Balladur. They think that he began to dilute the traditional French attitude of Africa as its reserved "hunting ground" for political influence, in favour of a stronger emphasis on economic ties – which favoured a greater concentration on relations with the EU and the emerging markets of Asia.

France may also be shifting its position in line with the changing currents of external influence in Africa itself. Certainly Mr Gérard Prunier, an outspoken critic of French Africa policy, argues that the US has already taken over from France as the leading trade partner even in some francophone African countries, while anglophone South Africa – far less within the French sphere of influence – has become the real motor for development in southern Africa.

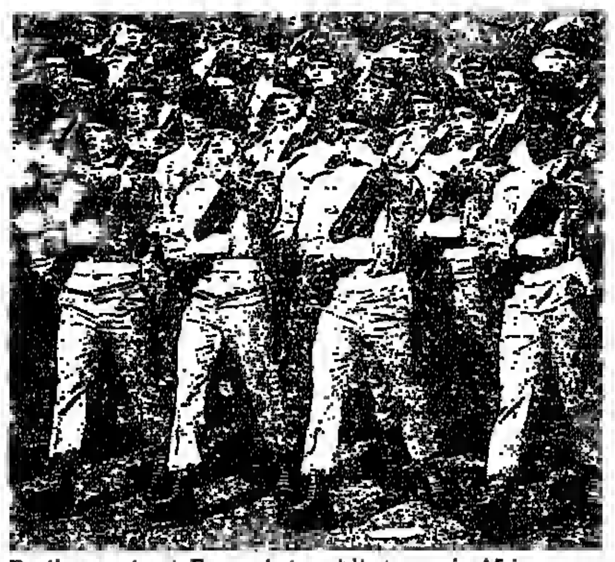
Equally important to the changing French role has been the increasing hostility by the Africans themselves to their former colonial masters' interference. Mr Jean-François Bayart, director of CERI, said in a recent interview that Africa is less the sick man of France than "France is the sick man of Africa".

French policy has been discredited by its association with a number of corrupt regimes, including its unwavering support of Zaire's former president Mobutu Sese Seko, who was forced out of office in May.

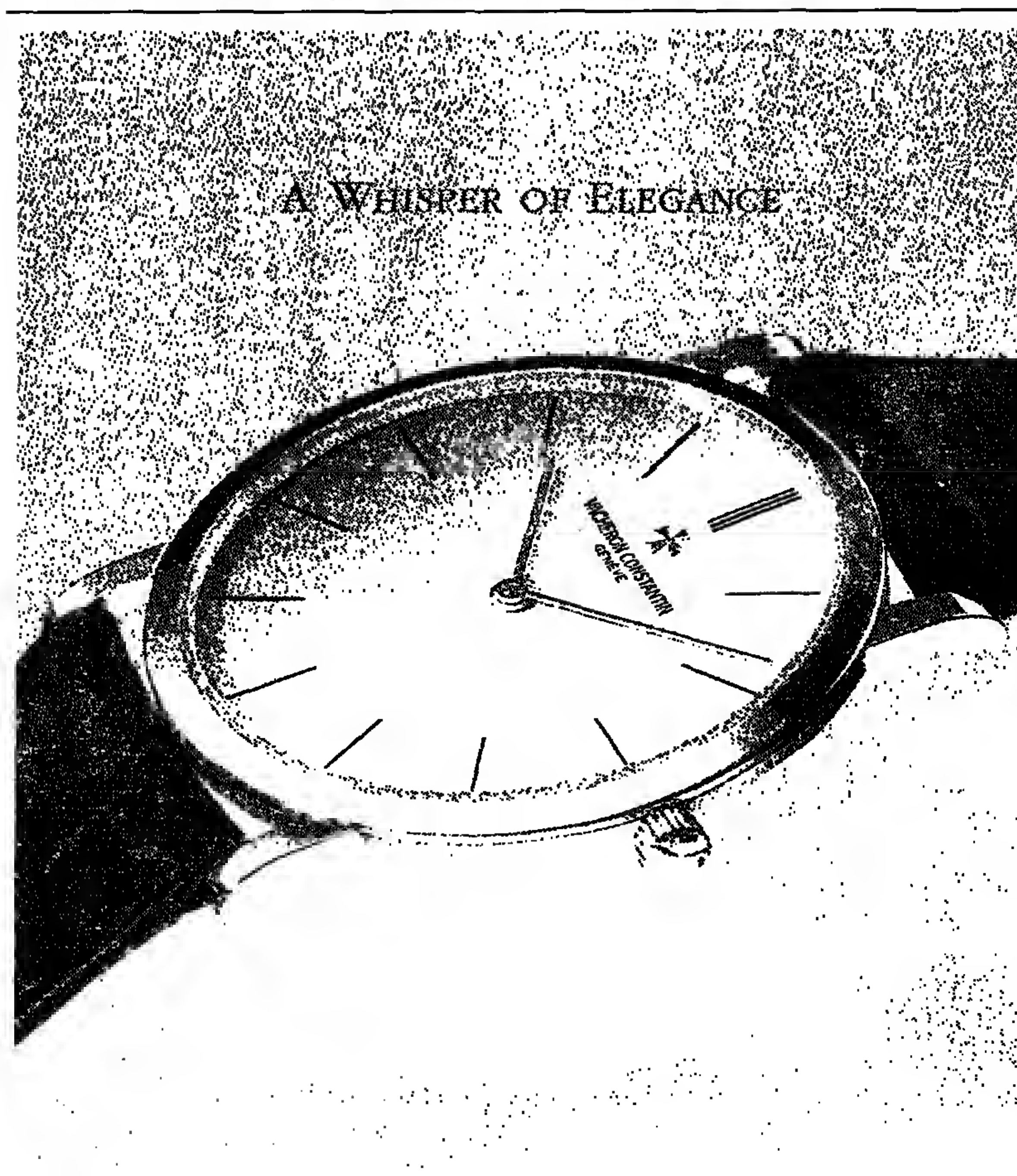
Its role in Zaire and Rwanda have come under frequent attack by international aid agencies and regional governments. And numerous allegations related to the activities of Elf, the petroleum giant, in the continent, have added to anti-French feeling elsewhere.

"We should be philosophical," says Mr Prunier. "Our problem is that we do not know how to age gracefully. We have been making a fool of ourselves for years. We are now just beginning to show some good sense."

Others argue that it is still too early to tell whether the policies adopted by France's new Socialist party will match its rhetoric. It is also unclear how far Mr Jospin will be left unfettered by Mr Chirac, who has been already shown his determination to maintain a grip on foreign policy.



Beating a retreat: France is to cut its troops in Africa

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# LETTERS TO THE EDITOR

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## Legal right to interest on debts a poor weapon for small companies

*From Mr John Mountain.*

Sir, The right to claim interest on late payment of commercial debt will hardly help small businesses. Indeed, debtors will feel authorised to pay the interest and not the debt. A small trader waiting for £10,000 will hardly be thrilled by the prospect of claiming interest if, by then, he is out of business. Lord Alexander of Weedon (Letters, August 1) seems somewhat naive considering his position.

John Mountain,
Mountune Racing,
The Causeway Industrial Units,
Maldon, Essex, UK

*From Mr A.W. Buncher.*

Sir, Lord Alexander is perfectly correct in his comments and I support them. However, he does miss one vital point which is very apposite to a small- or medium-sized enterprise.

If the debt is owed by a much larger organisation, government department, local authority, etc, the sanction of interest would work only once, after which the SME would never receive another order from that source.

You learn very quickly not to upset or rock the boat with large organisations because it is very bad for the order book. As stated, I fully support the move but doubt very much that it will be used as a weapon by a small company against a large organisation.

A.W. Buncher,
financial director,
Alarm Call,
Barnstaple,
Devon, UK

*From Mr M. Higham.*

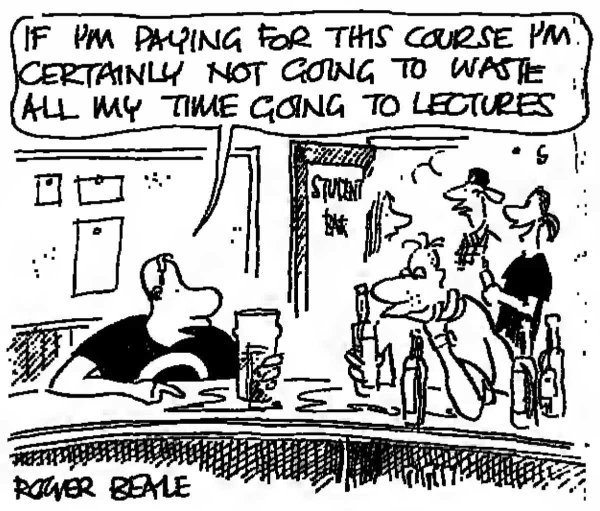
Sir, Lord Alexander of Weedon was absolutely correct to identify late payments of debts as a key issue for small- and medium-sized business, and I applaud the government for taking some long overdue action.

However, I would be in favour of the introduction of a compulsory company purchase card, similar to a credit card which would guarantee payment to the vendor by automatic bank transfer, direct into that account on the agreed date.

Perhaps the high street banks – such as NatWest – could investigate this possibility as a way of eliminating slow payers completely?

Mike Higham,
Tapes for Industry,
Kenneth House,
Lees Road,
Knowsley Industrial Park North,
Kirkby,
Merseyside L33 7BB, UK

## Graduate tax a fairer course than loans for funding UK higher education




*From Mr John Murray.*

Sir, Am I alone in finding Sir Ron Dearing's proposals on funding for higher education and the government's response to them deeply depressing ("Free university tuition to end with £1,000-a-year fees", July 31)?

In my late father's day, university education was the preserve of the wealthiest, but not always the brightest, in society. I was fortunate enough to be educated at a time when funding enabled the reasonably able to go to university regardless of parental means.

Subsequently, the call went out for university access to be widened and numbers have increased threefold but at the expense of sometimes dubious academic standards and a steadily increasing financial burden on students and/or their parents.

The danger in all this is that we might once again exclude some of the best students for fear of the debts they will accumulate during their time at university.

The current review provides an opportunity to dispense with the piecemeal approach of recent years and put funding for higher education on a solid, sustainable and inclusive footing. The only fair solution which also meets the interests of society must be through taxation, but a tax impinging on graduates only and a tax extending to existing graduates, maybe at a lower level, to help accommodate what would otherwise be insupportable start-up costs.

As a concomitant, however, greater care will be needed in striking the right balance between expensive degree level and other, maybe more vocational, forms of higher education. For example, in the mid-1970s it was still possible to study for the Bar without having previously graduated.

John Murray,
9 Cambridge Street,
Tunbridge Wells,
Kent TN2 4SJ, UK

*From Mr R.J. Bird.*

Sir, The object of higher education ought to be to produce graduates who are well educated, thus benefiting themselves and the nation. The present aim, however, seems to be to turn higher education into a business.

The proposals for financing higher education fees out of means-tested loans are wrong and possibly illegal. If parents accept, yet again, the financial penalties of their moral obligations, an able student will get financial support. If they do not then that student will be deprived of education. There can be no legal obligation to offer such support and it is probably illegal to means-test an adult on the basis of the income of another with whom they have no financial agreement. In addition, to deprive children of the less well-off of the maintenance grant as proposed will work directly against equality of opportunity.

Who should pay for education? Those who benefit – the graduate and the nation. This implies a state contribution on the basis of the ability of a prospective student to benefit from higher education and on that basis alone. Any remainder should be borne by the student on the basis of graduate taxes as in other countries.

The result of the present proposals, if enacted, will be to deprive the nation of well-educated graduates.

R.J. Bird,
50 Highbury, Jesmond,
Newcastle upon Tyne,
NE2 3EA, UK

*From Mr Richard Ross.*

Sir, Your summary of the much awaited Dearing report refers to the need to impose tuition fees on students, to accommodate increasing numbers in the coming years.

It may be possible materially to reduce the cost of a university education, without any reduction in standards, if the normal three-year course were to be reduced to two years. Each term normally contains about seven months of academic term work and about five months of holiday, the ratio being 50/50 at Oxbridge. Many students admit that they do little work in their first year, not a lot in their second year and only really get down to serious study in their third and final year.

In these circumstances, why can't the holiday periods be reduced and the amount of work output expected from students in their first two years materially increased?

Even if students had to take out loans, these would then be that much smaller and more easily managed. In theory, it should then be possible to increase student numbers by one third, without any corresponding increase in capital costs.

Richard Ross,
chairman,
The Regentsmead Group,
Russell House,
140 High Street,
Edgware, Middx, UK

## Risk should be hedged

*From Ms Eileen M. Debold.*

Sir, It is hard to believe that a multinational corporation in today's globally competitive environment has yet to figure out how to hedge its foreign exchange exposures. Sir Brian Moffatt, chairman and chief executive of British Steel, insists that UK manufacturing industry cannot compete with sterling at current levels ("Talk sterling down", July 31). "A year ago the pound was worth DM2.30 . . . Today the pound is at DM2.99". He insists that "anything above DM2.50-DM2.60 is too high".

Sterling is one of the world's most liquid currencies. Sir Brian could have easily hedged his competitive exposure a year ago using forwards, options and/or swaps. His request that government impose a de facto tax on the electorate through a decline in the value of the unit of account to compensate for the exporter's lack of risk management is unconscionable.

Eileen M. Debold,
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## Terrorism that fails

*From Professor Brian Harrison.*

Sir, If terrorism works, Niall Ferguson ("The language of bombs", August 2) is right to say so. But it hasn't worked in Northern Ireland. There, random terrorism (or "stunt violence") has been responsible for a catalogue of failure; for an unending sequence of deaths and mangled limbs among Catholic and Protestant, combatant and non-combatant alike; for the associated impoverishment – in Ireland north and south, not to mention the mainland – that stems from diminished investment, lost tourists, cramped and fearful lives; for so strengthening the Protestant minority's determination to resist an all-Ireland state that governments in London and Dublin are powerless against it; and for allowing the pursuit of short-term headlines to taint a once dignified nationalist cause with long-term notoriety.

What does succeed, as events in eastern Europe during the past decade have abundantly shown, is "mass violence" – the sort of violence that reflects genuine rather than simulated mass indignation. When confronted with even the threat of that, governments crumble.

Brian Harrison,
professor of modern history,
Corpus Christi College,
Oxford, UK

## Islamic history a testament to tolerance

*From Mr Abdulkader and Mrs Jamila Thomas.*

Sir, We were disappointed by A.C. Grayling's review of Peter Partner's *God of Battles: Holy Wars of Christianity and Islam* ("Living and dying by the sword", July 12). The statement that " . . . the stubborn fact about Islam is that its history and theory both honour the argument of the sword" is patently false and completes the truism perpetuated throughout the article that jihad singularly means war.

The Koran emphasises that matters of religion are not to be compelled. And to this Islamic history bears a testament that greatly overshadows Christianity. Not only were Hindus, Orthodox and other Christians, Jews and other religious communities able to flourish under Islamic rule, most Moslems today are descendants of those who embraced Islam peacefully through communication with Moslem traders. In contrast, one wonders what came of Europe's early alternative views of Christianity? And there is no need to ask how the colonial powers, including America, shared their faith.

Linguistically, jihad and its core root in Arabic mean effort or endeavour. The majority of the usages in the Koran and the Prophet Mohammed's sayings relate to self improvement, particularly in matters of piety and charity.

Abdulkader and Jamila Thomas,
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## Consistency a key factor in placing value on ITV licences

*From Sir Robin Biggam.*

Sir, The Lex column of July 26 commented on the ITC consultation document on ITV licence renewals. Of course, this is for consultation and some of Lex's points, and others, will undoubtedly be raised during the consultation period.

The basis of the consultation must be understood. The ITC's responsibility – which is set out in the Broadcasting Act 1990 – is to establish the value which would be placed on ITV licences if they were put out to competitive tender, with incumbents and new operators having an opportunity to bid. The ITC cannot consider exclusively the value placed on the licences by new entrants and, conversely, cannot focus solely on the investments already made by the existing licensees. These investments were made in the knowledge that renewal terms offered to them by the ITC had to reflect its estimate of the market value of the licences. Incidentally, our experience from the last ITV licensing round does not suggest – as Lex states – they will always estimate a lower value.

The methodology which the ITC has proposed to derive the market value is open for consultation – and the consultation is a genuine one. However, there is nothing theoretically objectionable in setting a schedule of payments which reduces the net present value to zero, provided that in the calculations an allowance has been made for an adequate return to shareholders. The key element is the level of that return, or discount rate, which is allowed. Whether this is pre- or post-tax is irrelevant so long as the approach is consistent – and the discount rate is a reasonable number. We expect to receive comments on the appropriate discount rate as part of the consultation exercise and we and our professional advisers will consider them carefully, along with the other issues raised by the respondents.

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COMMENT & ANALYSIS

FINANCIAL TIMES
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Tuesday August 5 1997

# A dilemma for the Bank

The risk that the UK economy will overheat is beginning to be balanced by the danger of an unnecessary recession. The Bank of England's monetary policy committee must decide this week on which side of the balance it will place its weight.

After four quarter point rises in the base lending rate to 6¾ per cent, the Bank will have strong reasons to keep up the pressure.

First, the markets appear to be expecting the rate to rise to perhaps 7¼ per cent this year. So doing nothing might be interprated as waakness. Secondly, the Bank must on no account fail its first big test since it was given responsibility for controlling inflation. Failure would be disastrous for tba Bank's prestige and it would damage the prospects for steady economic growth.

A more immediate argument for a rise in rates is that the domestic economy continues to grow much faster than is consistent with long term price stability. The labour market shows increasing signs of tightness, while consumers still hava lots of money to spend from building society windfalls.

The Bank's task would be easier if its advice to raise rates last summer had been heeded. Nor was enough done – by the Labour or Conservative governments – to damp down domestic demand with higher taxes on consumers. Consequently there is now a risk that further rises in interest rate will be too late, with a delayed and perverse effect – hitting the economy when it is moving down.

Tha latest Confederation of British Industry survey shows the danger. The continued rise in sterling is beginning to have a marked effect on exports. Increased imports will also cut into demand for UK goods. Meanwhile the rise in average earnings, which showed a worrying tendency to accelerate at the start of the year, declined in May to 4¼ per cent.

So although tbe domestic economy, particularly in services, continues to show signs of overheating, it may be that tha pressures of higher interest rates, a atrong sterling, and very tight control over governmant spanding are already applying powerful brakes to the economy as a whole. Yet sterling cannot be relied upon as an anti-inflationary madicine. What the markets raise, the markets may qmite unpredictably thrust down.

It would ha easy, in this dilemma, for the Bank to make a mistake. If so it should be on the side of caution. A further modest rise is needed, and more should not yet be ruled out. But the Bank must also be quick footed, as the US Federai Reserve has shown itself, to reverse the trend as soon as is prudent, to keep the markets guessing, and so limit the damage from an excessive rise in the currency.

# Rouble redux

After all they have suffered, it may seem rich to tell the citizens of Russia they should welcome the latest redenomination of the rouble, announced hy President Boris Yeltsin yesterday. After all, they have only been had this way twice in the past six years, and five times this century. All the same, this tima it is different, and there is reason to be glad of it.

Thanks to communism, the rouble spent 75 years in wonderland. To its masters it did not matter if the value of the currency were turned on its head overnight, because money at bottom had no real meaning. Nor, of course, did the interests of Soviet citizens.

Soviet rule and post-Soviet crisis turned successive central banks into tbe equivalent of those dodgy characters on third-world street cornera who exchange your currency for a bundle of local notes, which turns out on closer inspection to be stuffed with newspaper.

Again and again, the Soviet and Russian states attempted to solve their inflationary problems by robbing their citizens, exchanging high-value notes for low, and cancelling savings. Nor did this stop with the introduction of democracy. The last redenomination, introduced by Mr Yeltsin's government in July 1993, took place under the same watchwords as its predecessors: autocracy, confiscation, confusion. It was introduced without warning, set strict limits on bow much old money could be converted, and froze most savings at low interest rates for six months – by which time they had been destroyed by inflation.

This time, there are two very encouraging differences. The first is that the redenomination is not a frantic response to crisis, but an attempt to emphasise a success: the victory over inflation, now running at about 12 per cent a year. This marks a remarkahle recovery from the dark days of 1993, and has been one of the Yeltsin administration's principal achievements.

There is no longer any objective need for so many Russians to conduct business in dollars, or keep foreign notes in socks under the bed. Of course, the effects of the latest redenomination will be symbolic and psychological, but with luck, it should belp give Russians faith in their own currency.

Equally important is the way in which the change is being carried out. For the first time, Russia's rulers have given her citizens due warning of what they mean to do, and are also doing their best to explain why. And they are not even facing an election in the next few months.

Many Russians would say there must be something fishy behind it. But this time, they could be wrong.

# Helms' hostage

Mr Jesse Helms, arch-conservative chairman of the US Senate foreign relations committee, has often been described as cantankerous. It is an understatement. He is also obstreperous, obstinate, mean, ruthless, devious and hloody-minded. He no doubt would take it all as a compliment. He is also blunt, honest and single-minded, which makes him pretty predictahle. But as the most senior politician responsible for the oversight of the foreign policy of the world's solitary superpower, he behaves like an unguided missile.

Mr Helms' latest antics Involve hlocking the nomination of Mr William Weld, the ex-governor of Massachusetts, and a fellow Republican, to be the next US ambassador to Mexico. He is simply refusing to hold a hearing in his committee to consider the nomination at all. And all Washington trembles to tackle his awesome and arbitrary exercise of his democratic mandate.

Mexico is a neighbour and major trading partner which should matter to the US. The relationship is very sensitive, given the flow of drugs and illegal immigrants across their common border. That makes it all the more important. And Mr Weld would appear to be well qualified on paper to take on the job of US envoy. Ha certainly deserves a hearing. But he is a liberal Republican with mildly permissive views on issues such as abortion, soft drugs and gay rights, which are anathema to Mr Helms. So his nomination has become hostage to the political horse-trading of the Capitol.

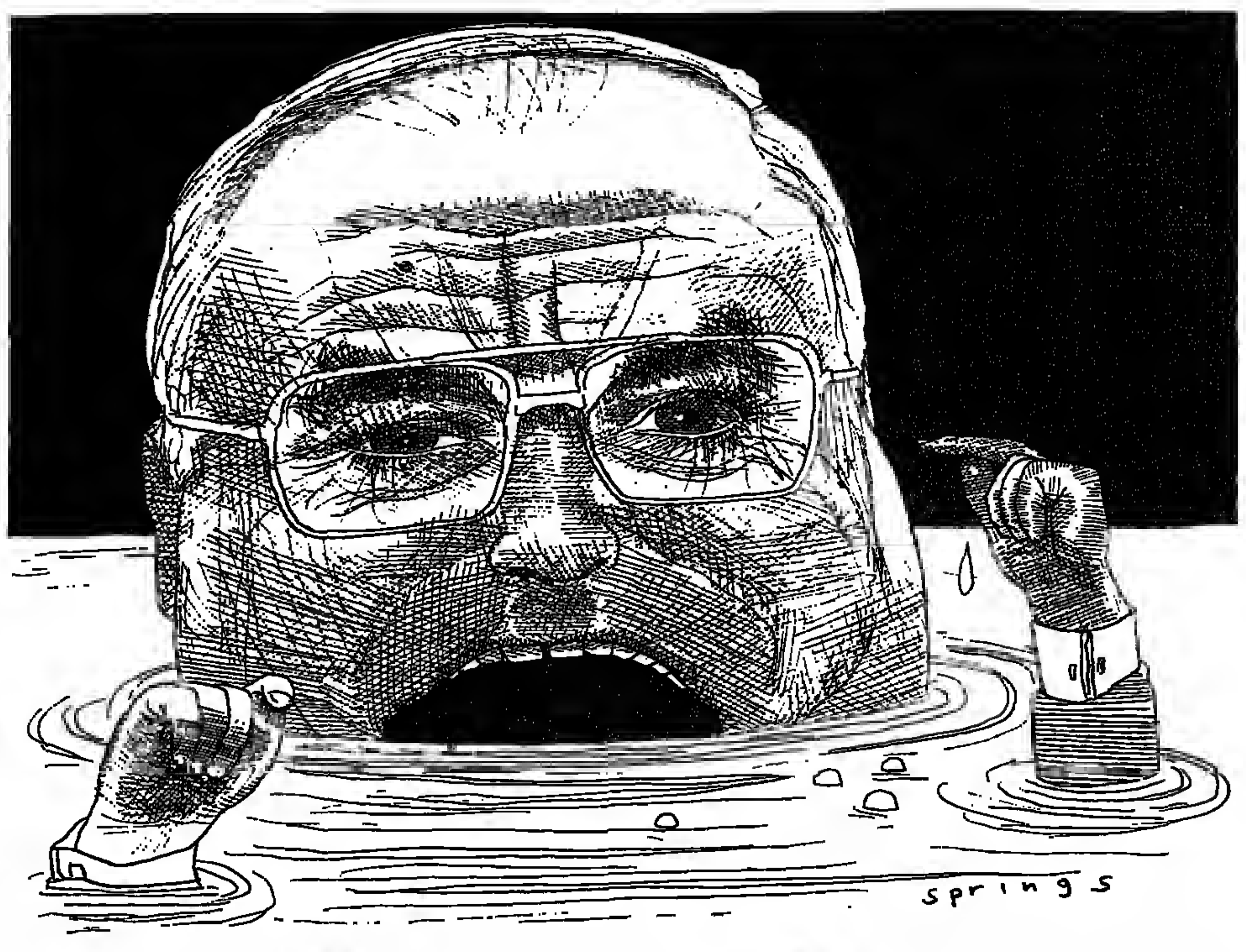
The trouble is that they all seem to be playing politics. Mr Helms is predictahly contrary. But Mr Weld is suspected of using the confrontation to raise his own profile for a possible tilt at the presidency in 2000. And President Bill Clinton seems to be relishing tha spectacle of internecine warfare he has unleashed in the Republican party.

Part of the prohlem certainly lies in the Senate, where grandees like 75-year-old Mr Helms enjoy sweeping powers which appear to contradict the very democratic system which elected them. Committee chairmen have hecome petty dictators who can hold perfectly sensihle government policies to ransom – indefinitely. This is an abuse of their power.

But even Mr Helms can be sweetened. Mrs Madaleine Albright, the secretary of state, appears to have done just that, for example in negotiating a new deal for the UN. Mr Weld, by contrast, doesn't seem to be interested: he wants total confrontation. All that suffer are relations with Mexico, and a sane US foreign policy.

# The humbling of Helmut

## After failing to push through tax reform, Germany's chancellor is adrift in a sea of troubles, says Ralph Atkins




The past few days bave shown the best and the worst of Chancellor Helmut Kohl's government. It was at its best as, spurred on hy a clear sense of purpose from the chancellor himself, it pitched more than 10,000 troops and 7m sandbags into battle against the swelling river Oder, averting flood damage costing potentially billions of D-Marks.

But as Mr Kohl gathers his cabinet in Bonn tonight, the triumpb against the rains is being overshadowed by a failure to reform taxes. This could do more lasting damage than any flood.

An emergency debate in a bastily recalled Bundestag – the lower house of parliament – will confirm that negotiations with the opposition Social Democratic party have collapsed on a reform that had been expected to yield tax cuts worth np to DM30hn ($16bn) a year from 1999.

The breakdown – condemned as a "political fiasco" by the German association of industry – has damaged the chancellor's authority. It could well send the kind of signals that encourage the flight of capital and production overseas. And it has further undermined industry's faith in a system of government that seems paralysed by conflicting demands and is unable to tackle essential reforms.

As Mr Wolfgang Schäuble, parliamentary leader of Mr Kohl's Christian Democratic/Christian Social union, remarked wistfully at the weekend: "The ability to resist in our society is highly developed. It is ridiculously difficult to push through change."

He is right. Germany's consensual system of government – in which the big parties, industry and unions must find agreement on the higgest issues of reform – is peculiarly vulnerable to *Reformstau*, or gridlock. Demonstrating the agonising effort of change, Mr Schäuhle says the "most stressful" decision in the current parliament has been the extension of shop closing times by between one-and-a-half and two bours. (Sunday shopping has not even been attempted.)

Many items of serious reform are now stuck in seemingly endless debate. Plans to overhaul the country's expensive pay-as-you-go state pension system are embroiled in the tax debate. Under threat are plans to cut non-wage labour costs by reducing the statutory contributions paid by employers and employees.

Also delayed at the discussion stage is reform, mooted for years, of a university system in which students often graduate in their 30s. Germany cannot even change its spelling rules: last week, proposals to revise these were rejected by a court in the federal state of Hesse, reopening a decade-long debate among politicians about the sanctity of the language.

In a consensual system, the chancellor plays a vital role in persuading and cajoling the various partners in the consensus system to accept the imperative of change. Increasingly, Mr Kohl seems unable to do this. His response to the latest setback on tax has been to put the blame squarely on his political opponents. The Social Democrats, be alleges, ahused the second parliamentary chamber, using it "as a weapon in a power battle" in an unprecedented way. "Never has the Bundesrat been subordinated so unscrupulously in a struggle for power by a single party," be says.

It is true tbe SPD bas not wasted an opportunity to thwart his ambitions. Buoyed by victories of leftist parties in France and the UK, the party senses the tide is also turning against the chancellor. Its leaders are growing in confidence that they could finally return to office in the 1998 federal election, ending 16 years of government by Mr Kohl.

Their tboughts are on tbe agenda for an incoming SPD administration, oot on belping a political rival.

But the chancellor's difficulties are as mucb his own making as those of the opposition. He has consistently underestimated the significance of the SPD's control of the Bundesrat. (The second bouse must, for example, approve the tax-reform plans.)

Mr Kohl has oscillated between berating his opponents, and then appealing to them to rally round his proposals. The chancellor's decision to declare as early as this April his candidature for federal elections in September 1998 opened a 17-month election campaign. It polarised politics just as tbe government began seeking parliamentary consensus in support of the tax and pension legislation.

Mr Kohl also left reform too late. He did not give serious consideration to tax and pension changes until one year after his victory in the 1994 election. The government only did so wben Germany was failing to pull itself out of a period of sluggisb growth. By the time proposals were finalised, not only were the federal elections approacbing, hut Bonn was embroiled in a separate debate on the country's financial readiness for tbe planned European single curreocy.

The importance of the planned euro currency, whicb the chancellor sees as determining his political future, meant Mr Kohl's tax-reforming message quickly became lost in the rush to get Germany ready for Emu. Tax rises this year to meet the Maastricht criteria have only narrowly been avoided, largely because of strong resistance from the Free Democratic party, the junior member of Mr Kohl's governing coalition.

The tax debate has become confused for other reasons. The SPD was swift to highlight possible losers and play on widespread fears that large tax breaks were being granted to tbe higbest earners in an effort to emulate "Anglo-Saxon" capitalism. Mr Oskar Lafontaine, SPD leader, says the collapse of last week's tax negotiations reflected "the will of the great majority of the people".

Meanwhile, Mr Kohl was not helped wben his own political allies failed to take his tax-cutting message to beart. Mr Norbert Blüm, for example, the lahour and social affairs minister and Mr Kohl's longest-serving cabinet colleague, is proposing to raise value added taxes to finance a planned reduction in pension contributions.

The cumulative effect of all this was to make voters think they were being robbed by one hand to be repaid hy the other. Weekend opinion polls suggested electors were distributing blame for the collapse of the tax talks equally between the government and opposition.

Mr Kohl's problems reflect an ehhing of his political authority over a disparate governing coalition since the beginning of the year. Mr Blüm ruffled feathers by voting against the party's tax-cutting plans wben they were being discussed by the CDU leadership.

Mr Kohl also faced an unprecedeoted public call for a cabinet reshuffle, including replacing Mr Tbeo Waigel, finance minister, from Mr Christian Wulff, tbe youthful CDU leader in Lower Saxony regarded as one of the next generation of party leaders.

Worse followed with Mr Waigel's aborted plans to use a revaluation of Germany's gold reserves to plug gaps in the public sector finances and meet the Maastricbt treaty criteria. When the Bundeshank, the Frankfurt-based central baok, signalled fierce opposition, warning the "credibility and stability" of tbe new euro currency could be jeopardised, Mr Kohl first stuck firm – and tben retreated ignominiously.

Mr Kohl continues to he whirled hy centrifugal forces within the coalition. Tbe Free Democratic party is anxious to carve itself a role as instigator of tax cuts. To the increasing irritation of coalition partners, it is demanding an early two-percentage point cut to 5.5 per cent in the much-hated "solidarity surcharge" – levied on income tax bills to pay for eastern German restructuring – regardless of whether wider tax reforms survive. Mr Waigel bas warned a cut could only he made if the funds are found from somewhere else.

The gridlock in Bonn has reopened a wider debate about constitutional reform. Last month Mr Hans-Olaf Henkel, president of tbe German association of industry, voiced industry's frustration at Germany's postwar political structures, asking "whether a country with our federal structure, with 16 federal states, and an election system based on proportional represeotation actually has a chance to change as fast as others".

But Mr Henkel's call for a debate on tbe effectiveness of tbe political system bas fallen on deaf ears, if only because tbe prospects of winning agreement oo such fundamental reform are even more distant tban getting agreemeot on taxes. Even Mr Wolfgang Gerhardt, leader of tbe reform-minded FDP, is reluctant to alter a postwar constitution "deliberately chosen to achieve a balance of powers and, following Germany's historical experience, to avoid creating too powerful a central state".

The result is that Germany's system of government looks paralysed and Mr Kohl has no choice hut to take his reform campaign to voters directly.

He bas promised to take an active role in forthcoming state elections and to denounce tbe SPD's parliamentary hlockade "from village to village, from city to city".

A first test will come in state elections in SPD-led Hamburg on September 21, followed by a contest in Lower Saxony, also controlled by the SPD, next March. But even victory against the opposition party in the CDU's most bopeful prospect – next April's elections in Sachsen-Anhalt – would not be sufficient to overturn the SPD's majority in tbe Bundesrat.

That looks set to leave Mr Kohl floundering until the federal elections. Regaining momentum behiod his reform plans, and restoring his leadership credentials before then will not be as easy as bolding back the river Oder.

# · OBSERVER ·

## Race for the line

■ More bumping and barging in the race to host the 2004 Olympic Games. This time it's International Amateur Athletics Federation boss Primo Nebiolo who's using his elbows – by making less than flattering comments about the organisation of this week's world athletics extravaganza in Athens.

You'll remember that five cities – Athens, Rome, Buenos Aires, Stockholm and Cape Town – are battling it out to host the next-but-one Olympics. It's been a marathon competition and there are signs that things are getting tense as the finishing line starts to loom; the International Olympic Committee is due to make its decision next month in Lausanne.

Nebiolo is leading Rome's bid to scoop the big prize – and working hard to show that the Italian capital has left behind its reputation for shambolic organisation and corruption. Down in Athens yesterday he didn't miss his chance to blame his Greek hosts for the sparse crowd that turned out to watcb the men's 100m final – supposedly one of the hlue-riband events of the championship.

"It was very disappointing," said Nehiolo, speaking within earsbot of IOC chairman Juan Antonio Samaranch. "The organisers did not do a great promotional job before the championships. They did not understand."

Tbose comments won't please the man behind the organisation in Athens – septuagenarian former military type Evangelos Savramis. Despite his advancing years, action man Savramis still makes parachute jumps in his spare time. If the Olympic race gets much dirtier, Nebiolo had better watch out.

## Edinburgh fringe

■ Could the elegant city of Edinburgh really stomach an out-of-town parliament? Referendum permitting, a new Scottish assembly is due to open for business in three years; hut still no one knows where to put the thing.

It's no secret that the old Royal High School – where a chamber was created for the 1979 shot at Scottish devolution – is pretty unsuitable; it's not completely out of the running but bringing it up to scratch would cost a small fortune. On the other hand, building a spanking-new assembly in the historic city centre would give conservationists a fit of the vapours.

There's plenty of undeveloped land on the city's western fringe, out among the shopping malls and shiny new office blocks. But putting the assembly out there would prove as popular as moving the House of Commons to Heathrow Airport. The easiest solution looks like Leith, the up-and-coming port area where the Scottish Office moved its civil servants two years ago and where it's got an option on vacant land adjacent to its existing building.

Wherever the assembly goes, a decision is needed quickly – or they'll be putting up tents for opening session which is pencilled in for 2000.

## Dam all

■ The Hungarian privatisation agency will have to try harder if it really wants to sell government's 68 per cent stake in a company called Dam.

The first invitation to tender in June failed to flush out a suitable bidder, so the agency has embarked on a second attempt – and booked an international advertising campaign to grah the attention of big-hitting investors.

The snag is that while the adverts go into immense detail about tender deadlines, share ownership structure – and the bitle matter of a $0.5m deposit – there's not a single clue abont what the enigmatic enterprise actually does.

So before executives in the hydro-electric power industry get too excited, Observer is delighted to be able to enligbten: Dam is an indehted steel works located in Miskolc whicb boasts, apparently, a new induction furnace. So now you know.

## Three's company

■ Russians are naturally suspicious of their central bank – so knocking three noughts off the face value of the Russian rouble may not have been the best way to restore confidence in the currency.

Millions of citizens were yesterday left pondering whether the monetary autborities were preparing to roh them once again.

On reflection, though, redenominating the rouble could prove a masterstroke. Nostalgic Russians still wax lyrical about the price stahility that prevailed between 1961 and 1991 under Communist rule: in those days a bottle of vodka could always be had for three roubles – year in, year out. The latest currency reform could yet revive the three rouble tipple. Under the new system a quarter-litre bottle of moonshine Ukrainian rocket fuel could well retail for the equivalent of about 52 cents. Just like the bad old days.

## The Financial Times

### 100 years ago

**Turkey And Greece**
*Paris*: The question of raising a loan to enable the Greek Government to pay tbe Turkish war indemnity is now engaging tbe attentioo of the leading European finance bouses . . . A private letter from Athens to one of the attaches of a foreign embassy here cootains a statement to the effect that King George of Greece bas decided, as soon as tbe articles of peace have beeo signed, to renounce the Crown Prince and declare his second son, Prince George, as tbe beir to tbe throne. It is understood that this act is the voluntary intentioo of the King, and had been eotirely hrought about by the conduct of the Crown Prince during the late war.

### 50 years ago

**Mr Churchill's Indictment**
Mr Winston Cburchill, speaking two days before the Prime Minister announces the Government's economic crisis plan to the nation, yesterday made a three-point indictment against the Socialist Administration. He charged them with (1) Failure to take effective steps until the U.S. loan was nearly exhausted (2) Failure to secure adequate prodoction of coal on which the economic life of the country depended (3) Failure to cbeck unprecedented "wild financial extravagance."

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FINANCIAL TIMES
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# Kia's creditors withhold loans as managers reject rescue plan

By John Burton in Seoul

Creditor banks at Kia, South Korea's third largest car group, have refused to provide emergency rescue loans of Won185.5bn ($209m) after managers at the troubled group rejected the banks' restructuring proposals, including a demand that they resign.

The banks, led by Korea First Bank, bave agreed to freeze Kia's debt payments for two months, but want Mr Kim Sun-hong, chairman, and other Kia executives to resign.

They are also demanding that Kia sell its loss-making commercial vehicle unit, Asia Motors, and tbat its trade union provide written consent to the sacking of 8,800 workers and the acceptance of reduced wages as part of a restructuring effort.

"Althougb Kia Group bas failed to meet such demands, creditors decided on the two-month [bankruptcy protection] accord to minimise the adverse effect the conglomerate's troubles will have on the country's economy," said the banks. They will review Kia's chances of recovery at the eud of the period on September 29.

Kia has resisted the banks' proposals because it views them as a first step towards dismantling and selling off the group. It was placed under bankruptcy protection on July 15 after suffering cashflow problems because of financial institutions' reluctance to give loans following the bankruptcies of several other conglomerates.

It suffered a net loss of Won129.4bn last year owing to problems at its commercial vehicle, steel and construction units, and bas debts of $10.7bn.

The restructuring programme involves selling Won3,100bn in property and industrial assets and cutting the number of subsidiaries from 28 to five through mergers, sales and spin-offs. The banks bave called the plan inadequate.

The group bas raised Won122bn from selling property owned by its steel and construction units while it negotiates the sale of land owned by Asia Motors. It also said it had reached an agreement with state-run Pohang Iron and Steel (Posco) to reorganise the country's speciality steel industry by 1999 to improve the performance of Kia Steel.

Kia Sleel, Korea's second biggest speciality steel producer, will concentrate on products for the car industry, while Posco will manufacture other products such as stainless steel pipes. Earlier this year Posco bought several plants from the bankrupt Sammi group, the country's largest speciality steel company.

Hyundai and Daewoo, Korea's two leading car companies, agreed last week to buy a joint stake in Kia Steel in an effort to help the group. They are worried that the collapse of Kia could lead to its takeover by Samsung, transforming the new market entrant into a main competitor.

The Korea Automobile Manufacturers' Association is expected to meet today to plan other support measures for Kia and ask the government and banks to help. But the government says it cannot intervene as state financial aid would violate World Trade Organisation subsidy regulations.

# Boeing finalises McDonnell deal

## Company says it will not be impeded by concessions

By Michael Skapinker, Aerospace Correspondent

Boeing of the US completed its takeover of McDonnell Douglas yesterday and indicated it would not be impeded by promises to Brussels to keep its newly acquired civil aircraft operations separate.

The European Commission last month approved the takeover only after Boeing made last-minute concessions, including a pledge to issue separate accounts for the McDonnell Douglas civil aircraft business. The takeover will create the world's biggest aerospace and defence company.

But Mr Philip Condit, Boeing's chairman, said yesterday that the undertaking only meant his group had to issue separate accounts for tbe McDonnell Douglas business.

He said it would not stop Boeing moving manufacturing operations from one site to another if it thought it necessary. Nor would it limit Boeing's decisions about the future of the aircraft previously manufactured by McDonnell Douglas.

Mr Condit's statement adds weight to the view of aerospace analysts that the concessions extracted by Mr Karel Van Miert, the EU competition commissioner, will do little to hamper the newly enlarged Boeing.

McDonnell Douglas's civil operation will become part of Boeing's commercial aircraft subsidiary.

But Boeing managers were deeply bumiliated by having to bow to Mr Van Miert's demands, including his insistence that the company drop exclusivity clauses from 20-year supply deals that it had concluded with three US airlines.

Yesterday, however, Mr Condit put his bruising encounter with Brussels behind him to hail wbat be called "this historic day".

In satellite broadcasts to staff at 50 sites and at a press conference in Washington DC, Mr Condit said: "This day really belongs to the more than 220,000 men and women of the new Boeing."

He avoided any sense of triumph regarding the takeover of McDonnell Douglas, insisting the two sides would work together.

He said be was addressing staff and the press from Washington to avoid having to choose between Boeing's bome town of Seattle and McDonnell Douglas's stronghold in St Louis.

Mr Condit reminded employees that Washington was also the headquarters of the US defence department, the enlarged Boeing's most important customer.

He said be had consulted Mr Paul Kaminski, the US under secretary of defence, about tbe best structure for Boeing.

St Louis will be the site for Boeing's military aircraft activities, assuaging fears that it would move to Seattle. The business will be beaded by Mr Mike Sears, a senior McDonnell Douglas executive.

# Strike and pound hit BA

Continued from Page 1

last month's sale of sbares in Galileo International, the computer reservations system.

Mr Christopber Tarry, aviation analyst at Kleinwort Benson, said be expected full-year pre-tax profits before exceptional items to be £454m, compared with £640m last year.

Mr Chris Avery of Paribas Capital Markets forecast that pre-tax profits before exceptionals would be as low as £395m.

Mr Tarry said be expected the strength of sterling to cost BA £130m over the full year, while Mr Avery put the figure at £200m.

# UPS strike hits business

Continued from Page 1

tban full-timers. Tbe union wants tbe company to increase tbe proportion of full-time positions.

UPS was making efforts to minimise disruption to its international services. It said deliveries between countries outside the US would be unaffected, and deliveries to and from the US sbould be almost unaffected.

Many UPS customers bad drawn up contingency plans to deal with the strike. J.C. Penney, the catalogue company, was asking its customers to pick up their goods from the nearest J.C. Penney department store.

# ABB faces ultimatum over $5bn Malaysian dam deal

Continued from Page 1

whicb side – the ABB consortium or Bakun Hydroelectric – is responsible for bearing the burden of any cost overruns.

Under tbe current contract this responsibility resides with Bakun, but Mr Ting wants the burden to shift to ABB. The Swiss-Swedish company argues that were it to take responsibility for cost overruns, it sbould then be allowed to decide which companies were awarded subcontracting work.

Under tbe current deal, Mr Ting has awarded the key subcontracts to Ekran subsidiaries.

ABB's concern is tbat it sbould not be penalised for cost overruns incurred by subcontractors which it did not cboose and whicb are working in difficult terrain in the jungles of Malaysian Borneo.

The executives close to the negotiations said Mr Ting was also trying to cut the contract cost in an attempt to raise the project's return on capital. The return is currently estimated at 12 per cent – a level considered low wben set against considerable construction risks over a period of six years.

The low rate of return was the main reason why banks were reluctant to lend to the project, and it would be difficult to increase this, economists said.

## FT WEATHER GUIDE

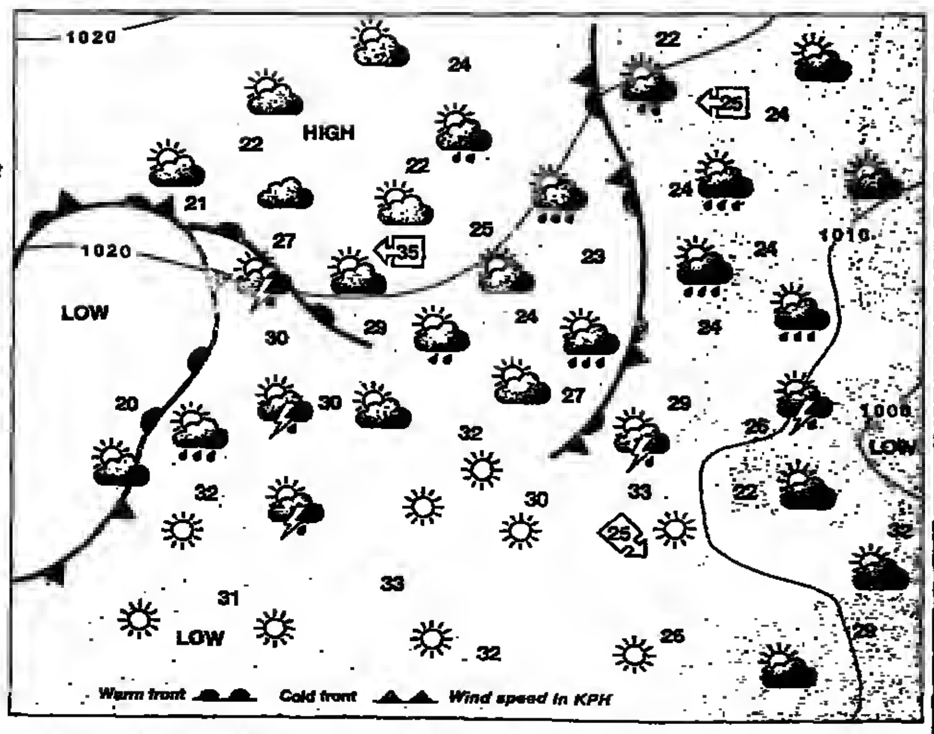
### Europe today

Tha Mediterranean will be hot and sunny, but afternoon showers or thunderstorms are possible in Spain. The Balearic Islands, Corsica and Sardinia will be warm and sunny, but tha sunshina will turn hazy at times with a chanca of showers.

Northern Portugal, northern Spain, central and western France will be muggy and cloudy at times with thundery rain in places. Western and southern France, Germany, the Low countries and Scandinavia will have plenty of warm sunshine. Central and eastern Europe will have some warm sunshine but there may be showers or thunderstorms later in the day.

### Five-day forecast

It will remain unsettled in the west with thundery weather continuing across Iberia, France and parts of the British Isles. The Mediterranean, Scandinavia and much of central Europe will be dry with plenty of warm sunshine. It will remain unsettled in eastern Europe with a risk of showers.




Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

### TODAY'S TEMPERATURES

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | Beijing | Sun 32 | Caracas | Fair 34 | Faro | Sun 27 | Madrid | Sun 32 | Rangoon | Rain 30 |
| | Celsius | Belfast | Fair 22 | Cardiff | Thunder 20 | Frankfurt | Fair 29 | Majorca | Thunder 28 | Reykjavik | Rain 14 |
| Abu Dhabi | sun 40 | Belgrade | Fair 26 | Casablanca | Sun 25 | Geneva | Fair 32 | Malta | Sun 30 | Rio | Cloudy 25 |
| Accra | cloudy 26 | Berlin | Shower 25 | Chicago | Fair 20 | Gibraltar | Fair 27 | Manchester | Fair 23 | Rome | Sun 32 |
| Algiers | fair 32 | Bermuda | Fair 30 | Cologne | Fair 28 | Glasgow | Cloudy 22 | Manila | Thunder 34 | S. Frsco | Fair 24 |
| Amsterdam | fair 26 | Bogota | Cloudy 18 | Dakar | Sun 31 | Hamburg | Fair 24 | Melbourne | Fair 17 | Seoul | Shower 28 |
| Athens | Sun 32 | Bombay | Rain 31 | Dallas | Thunder 36 | Helsinki | Fair 23 | Mexico City | Shower 25 | Singapore | Fair 33 |
| Atlanta | Shower 33 | Brussels | Fair 27 | Delhi | Fair 31 | Hong Kong | Rain 28 | Miami | Thunder 34 | Stockholm | Cloudy 24 |
| B. Aires | Sun 8 | Budapest | Fair 28 | Dubai | Sun 40 | Honolulu | Fair 32 | Milan | Fair 27 | Strasbourg | Fair 30 |
| B.Ham | Rain 24 | C.Hagen | Fair 22 | Dublin | Shower 20 | Istanbul | Fair 27 | Montreal | Fair 22 | Sydney | Cloudy 15 |
| Bangkok | Rain 29 | Cairo | Sun 33 | Dubrovnik | Fair 27 | Jakarta | Fair 31 | Moscow | Fair 24 | Tangier | Sun 26 |
| Barcelona | Thunder 26 | Cape Town | Cloudy 15 | Edinburgh | Fair 20 | Jersey | Thunder 21 | Munich | Fair 28 | Tel Aviv | Sun 30 |
| | | | | | | Karachi | Fair 38 | Nairobi | Fair 25 | Tokyo | Cloudy 29 |
| | | | | | | Kuwait | Sun 44 | Naples | Sun 32 | Toronto | Rain 18 |
| | | | | | | L. Angeles | Sun 30 | Nassau | Shower 33 | Vancouver | Cloudy 20 |
| | | | | | | Las Palmas | Fair 27 | New York | Shower 25 | Venice | Thunder 28 |
| | | | | | | Lima | Cloudy 24 | Nice | Sun 29 | Vienna | Cloudy 25 |
| | | | | | | Lisbon | Sun 24 | Nicosia | Sun 32 | Warsaw | Thunder 21 |
| | | | | | | London | Thunder 27 | Oslo | Fair 24 | Washington | Thunder 27 |
| | | | | | | Lux.Bourg | Fair 27 | Paris | Thunder 30 | Wellington | Rain 11 |
| | | | | | | Lyon | Sun 35 | Perth | Shower 16 | Winnipeg | Fair 26 |
| | | | | | | Madeira | Shower 25 | Prague | Fair 24 | Zurich | Sun 27 |

Constant improvement of our service.
That's our commitment.
Lufthansa

THE LEX COLUMN

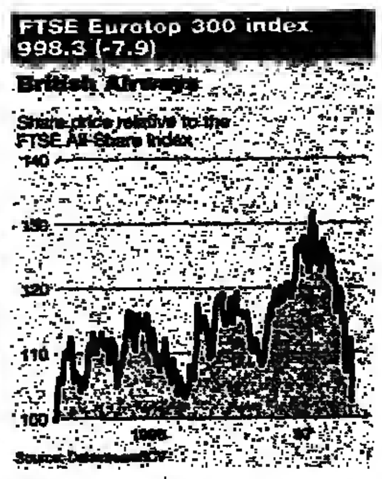
# Ringgit wrong

Dr Mahathir Mohamad, the Malaysian prime minister, protests too much. Fresh from tirades against speculators, Malaysia has now imposed currency controls to ward them off.

He can claim a minor victory in the ringgit's appreciation yesterday. But other Asian governments tempted to join his crusade should look at the stock market instead. It fell 2.4 per cent yesterday and is now down 23 per cent from its peak in February. This partly reflects the slowdown in the Malaysian economy, its incipient property bubble and the effects of its currency peg to an appreciating dollar. However, by creating currency traps for speculative investors, the government is in effect increasing the risk premium for investing in Malaysia. Ironically, an increased risk rating would encourage exactly what Dr Mahathir is trying to prevent: higher interest rates and/or a weaker currency. Even in the short term it looks more likely to encourage volatility than prevent it. And this is at a time when the prospects for south-east Asian currencies appeared to be improving, with a likely Thai rescue package from the International Monetary Fund.

Of course, if Malaysia really wanted to control its currency it could revert to a rigidly fixed exchange rate, as in nearby Burma. However, as well as stifling trade and investment, this would boost use of hard currencies and the black market – scarcely, one would think, what Dr Mahathir wants.

FTSE Eurotop 300 index
998.3 (-7.9)




## HSBC

HSBC's management could be forgiven for being a little smug yesterday. For several years, it suffered the accusation that it operated in risky markets and would struggle to handle a British bank like Midland. It suffered a discount rating to the UK banking sector. Yesterday, it revealed another strong performance in Asia, and Midland is now almost as tigbtly managed as Lloyds TSB and ahead of the rest of the pack. Moreover, HSBC shares have outperformed everything else in the FTSE 100 index since January 1996 and now enjoy a similar rating to the UK's bluest chip bank, Lloyds.

There has still been the question of what HSBC would do with its surplus capital, but its solution is now clear. The 33 per cent interim dividend increase is not supposed to be a signal for the full year, but dividend growth will comfortably exceed earnings growth this year. HSBC has also decided it wants to be an emerging markets superbank, investing $2bn in Latin America in the bope of replicating its experience in Asia. The risks in Latin America remain considerable, but prices are attractive compared with troubled banks in Europe and growth rates much higher. It paid 0.7 times revenues for Brazil's third largest bank, while HSBC itself is valued at five times revenues.

Of course, decent returns from Brazil remain distant. Short-term performance will be driven more by HSBC's ability to contain rising costs in Hong Kong and avoid fall-out from the economic woes of Thailand and Malaysia. But given the current earnings momentum, further outperformance looks likely.

## British Airways

Can British Airways' industrial relations problems really have cost £125m? Well yes, conceivably they can. Such a fat figure inevitably invites suspicion that BA could be overegging the effects – and, perhaps, those of sterling's strength as well – to win sympathy from the airline's troublesome (but profit-sharing) staff. Yet even supposing BA has erred a touch on the pessimistic side, the fact remains that the company has lost a good deal more than three days' revenues. There are the many passengers put off by the risk of further disruption. There are the staff who went "sick" and quietly took much longer than three days to return; even now, BA's sickness levels are abnormally high. Meanwhile, the relative ease with which the union has inflicted such financial pain looks a sure recipe for future trouble.

None of this, however, remotely justifies the stock market's attack of nerves. Since the middle of May, BA shares have underperformed the market by nearly 20 per cent. Such a sharp correction, in a company with a market capitalisation of £6.6bn, hardly looks a cool verdict on a £125m strike or on sterling's current strength – even if that has carved £77m out of this quarter's profits. Nor is it at all clear that the odds on a successful alliance with American Airlines have materially lengthened. As a result the shares, now trading on a discount of 10-20 per cent to the market on the basis of next year's earnings, look attractively good value.

## Lord Simon

Lord Simon, the British Petroleum chairman turned politician, is making it hard for people to come to his defence. The fuss about his £2m shareholding in BP looks like a piffling issue whipped into a storm by a Tory party still smarting over Labour's attacks on sleaze when it was in power. Nevertheless, niggling questions remain: why, for example, did Lord Simon not register his interests when he became a minister? By refusing all interviews, he has lost the chance to nail the issue.

That said, the central accusation – that Lord Simon faces a conflict of interest through holding BP shares while a minister – is weak. He has absented himself from decisions directly affecting BP. But now he is lambasted for being involved in matters that concern BP only tangentially: the European single market; which includes energy liberalisation; and the European takeover directive. True, BP has an interest in these matters, but they also concern much of industry. To suggest Lord Simon is disqualified from taking decisions on such generic matters is risible. Quite the reverse: this is where his expertise is especially valuable.

The Tories' campaign has not been edifying. But one cannot help feeling there is poetic justice in the affair, however unfortunate that Lord Simon is the target. When in opposition – and, even in government, with its scurrilous attacks on the lottery bosses – Labour made political capital out of fat cats. In a sense, the party is now reaping what it sowed.

PEARSON

Interim Results

PEARSON DELIVERS
STRONG PERFORMANCE

| | 1997 | 1996 | 1996 |
|---|---|---|---|
| | Half year | Half year | Full year |
| Sales - continuing operations | £958m | £867m | £2,049m |
| Operating profit - continuing operations | £66m | £34m | £148m |
| Profit before tax | £81m | £30m | £357m |
| Earnings per share | 11.1p | 2.8p | 42.9p |
| Adjusted earnings per share | 6.0p | 4.0p | 30.6p |
| Dividends per share | 7.5p | 6.9p | 18.0p |

Pearson plc, The International Media Group

To view the full Interim Results and other information about Pearson, visit our Web Site at:
http://www.pearson.com

A copy of the full announcement, which is being sent to all shareholders, is available from:
Pearson plc, 3 Burlington Gardens, London W1X 1LE. Telephone: 0171-411 2000.

Fletcher King

FINANCIAL TIMES

# COMPANIES & MARKETS

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Tuesday August 5 1997

Week 32

Cutting weight means cutting costs. Our packaging subsidiaries – VAW Aluminium, Schmalbach-Lubeca and Gerresheimer Glass – are helping to lighten the load.
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## IN BRIEF

### Scania hit by soft demand

Soft demand in Europe led to a 56 per cent slide in first-half profits at Scania, but the Swedish truck and bus company said a market upturn would lead to more stable prices. Page 15

**PolyGram to merge record labels**
PolyGram, the Dutch entertainment group, is expected to merge the management of Motown Records, the legendary US soul label, into that of Mercury, the US-based record company behind Bon Jovi and Hanson. Page 16

**Dickson Concepts to control Barney's**
Dickson Concepts, the fast-growing Hong Kong retailer, appears to have won the battle to take control of Barney's, the US department store group under bankruptcy protection, with a deal worth US$247m. Page 14

**Teva posts 91% surge in net income**
Teva Pharmaceuticals, Israel's biggest drugs manufacturer, posted a 91 per cent surge in net income in the first half of the year. Page 15

**Oxford Molecular to buy family firm**
Oxford Molecular, the UK pharmaceutical software company run by Tony Marchington, has taken an option to buy Cambridge Combinatorial, the biotechnology company recently set np by Mr Marchington's brother Alan. Page 17

**Posco profits advance 41% at midway**
South Korea's Pohang Iron and Steel (Posco), one of the world's largest steelmakers, reported provisional net profits for the first half of 1997 up 41 per cent at Won543.2bn ($610.7m). Page 14

**Birmingham Midshires buys UCB loans**
Birmingham Midshires building society doubled the size of its commercial mortgaga book when it bought £460m ($749.8m) worth of commercial mortgages from UCB Bank, the UK offshoot of France's Compagnie Bancaire. Page 17

**Companies in this issue**



**Market Statistics** http://www.FT.com



**Chief price changes yesterday**

| FRANKFURT (DM) | | | |
|---|---|---|---|
| **Rises** | | | |
| MAN Prf | 459.5 | + | 5.5 |
| **Falls** | | | |
| Allianz | 443.5 | – | 22 |
| BMW | 1456 | – | 35 |
| Ind Werke | 473 | – | 13 |
| Karstadt | 675 | – | 24.5 |
| Volkswagen | 1368 | – | 38 |
| **NEW YORK ($)** | | | |
| **Rises** | | | |
| Laidlaw One | 42¾ | + | 4¼ |
| US Filter | 34 | + | 2⅜ |
| Wellpnt Hlth | 51½ | + | 2⅜ |
| **Falls** | | | |
| Br Airways | 100½ | – | 5⅛ |
| Learning Co | 12⅛ | – | 1¼ |
| Scor | 41¾ | – | 1⅝ |
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| Colt Telecom | 388½ | + | 21 |
| Dixons | 377½ | + | 17½ |
| Pearson | 692¼ | + | 26½ |
| **Falls** | | | |
| Bnk Scotland | 430 | – | 15 |
| Country Cslo | 113½ | – | 20 |
| Wessex Water | 462½ | – | 16½ |
| **PARIS (FFr)** | | | |
| **Rises** | | | |
| SLIC | 835 | + | 34 |
| Valeo | 393 | + | 9 |
| **Falls** | | | |
| Air Liquide | 947 | – | 23 |
| Dexia France | 584 | – | 16 |
| Elf Aquitaine | 676 | – | 17 |
| Fonc Lyon | 730 | – | 22 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Showa Alum | 687 | + | 14 |
| Toa Corp | 355 | + | 13 |
| **Falls** | | | |
| Amada Co | 845 | – | 73 |
| Dai Tokyo F&M | 880 | – | 32 |
| JEOL | 819 | – | 41 |
| Nissan Mtr | 730 | – | 58 |
| **HONG KONG (HK$)** | | | |
| **Rises** | | | |
| China Mtr Bus | 76.0 | + | 1.0 |
| New Wrld Dev | 55.0 | + | 1.0 |
| **Falls** | | | |
| Bnk E Asia | 31.0 | – | 1.1 |
| Hang Seng Bk | 111.0 | – | 1.5 |
| Henderson Lnd | 73.25 | – | 1.75 |
| Hasco | 24.9 | – | 1.1 |
| **BANGKOK (Baht)** | | | |
| **Rises** | | | |
| GSS Elec | 68.5 | + | 6.0 |
| Kian Gwan Co | 67.0 | + | 6.0 |
| Thai Theparos | 44.0 | + | 4.0 |
| **Falls** | | | |
| Head Thip | 23.25 | – | 2.5 |
| Matichon | 45.5 | – | 4.5 |
| Siam Steel | 29.25 | – | 3.25 |

Toronto closed. New York prices at 12.30pm.

## World's largest banking group raises interim dividend by 33%

# HSBC up 13% in first half

By George Graham, Banking Correspondent

HSBC Holdings, the world's largest banking group, shrugged off the effects of the strong pound to report a 13 per cent jump in first-half profits to £2.62bn ($4.27bn) before tax.

HSBC, which owns the HongkongBank group in China and Midland Bank in the UK, surprised investors by raising its interim dividend from 15p to 20p, beating the 26 per cent increase announced on Friday by Lloyds TSB, the leading UK retail bank.

Although Sir Willie Purves, group chairman, warned that a 33 per cent rate of increase would not be kept up for the full year, most brokers had to increase their forecasts for this year's payout.

HSBC has spent almost $2bn on acquisitions in Latin America over the last six months, but its capital base still increased by £1.1bn to £16.3bn in the period. That left it with a Tier 1 capital adequacy ratio of 9.4 per cent, comfortably in excess of the 4 per cent minimum set by the Basle committee of international bank supervisors.

Sir Willie said HSBC saw the main opportunities for future growth in Latin America and Asia and saw little attraction in acquisitions in Europe or north America, although it has bought some small businesses in the US. "We see Europe and America as being mature markets. It's not very easy to see how we would add to shareholders' value at some of the prices that apply in those markets," he said.

Investment bankers have been trying to interest some of the highly capitalised UK banks in acquisitions in continental Europe, including Crédit Lyonnais, the troubled French state-controlled bank.

But Sir Willie said his board would not welcome an acquisition in a country where most banks were producing a return on equity little more than one third of HSBC's 22 per cent.

Sir Willie was also unenthusiastic about further acquisitions in the UK, where market gossip persistently links HSBC with Royal Bank of Scotland.

To offset its $1bn takeover of Bamerindus, the ailing Brazilian bank, HSBC sold its holdings of Brazilian Brady bonds. It is also reducing its portfolio of Mexican and Argentine debt to offset acquisitions in those countries.

Pressure on lending margins in Hong Kong limited attributable profits at HongkongBank group to HK$10.3bn, up 7 per cent from the same period a year earlier. The strength of the pound against the Hong Kong dollar meant that in sterling terms HongkongBank's contribution to group profits remained flat at £815m.

Tight control of costs allowed Midland to raise its contribution to £512m, up 17 per cent. Midland's pre-tax profits rose 27 per cent to £829m, which is more than National Westminster Bank, traditionally Midland's senior in the UK banking market, expects to announce today.

Attributable profits from the Americas, including Marine Midland Bank in New York, rose 32 per cent to £337m.

HSBC's share price has almost doubled in the last 12 months, and rose another 44½p yesterday to £22.38. Headline earnings per share in the first half climbed from 57.83p to 65.82p.

Lex, Page 12
'Misjudgment', Page 14


HSBC chairman Sir William Purves (left) and Douglas Flint, finance director Picture: Ashley Ashwood

# Nokia profits surge to $343m

## Mobile phone sales rise 49% in the quarter

By Greg McIvor in Stockholm

Nokia of Finland, the world's second-largest supplier of mobile phones, yesterday announced it had more than doubled second-quarter profits, highlighting the rapid growth of the international market for cellular handsets.

Pre-tax profits for the quarter rose from FM728m to FM1.9bn ($343m) – above market forecasts – lifting the half-year figure from FM1.1bn to FM3.3bn. Last year, Nokia's second-quarter profits were depressed by production bottlenecks and other difficulties.

A surge in revenues in the company's mobile phones division was the main feature of the performance, with quarterly sales advancing by 49 per cent from FM4.9bn to FM7.3bn.

Nokia's most-traded A shares rose FM9.60 to FM482.10, but shares in Ericsson of Sweden, which with Motorola of the US is Nokia's main competitor in the mobile telephone market, slipped Skr7.50 to SKr354.

Analysts said that strong sales of mobile telephone infrastructure, such as switching stations, suggested the Finnish company had taken market share from Ericsson.

Mr Jorma Ollila, Nokia chief executive, said the company was also increasing its share of the mobile handset market. Handset price erosion, previously between 20 per cent and 25 per cent annually, was now lower and he be could see no short-term change in the trend.

"The market has been overestimating the capability of new players to come in and really make a big impact," he said, alluding to consumer electronics companies such as Philips, the Dutch group, which have sought to branch out into mobile phones.

Nokia's first-half mobile phone sales advanced from FM8.8bn to FM13.5bn. Sales of digital mobile phones, which are replacing those based on the older analogue technology, leapt by 94 per cent.

Mr Ollila said Nokia had benefited from being able to raise production volumes, while keeping margins relatively intact.

Nokia's sales of mobile infrastructure rose 35 per cent, from FM3.2bn to FM4.4bn in the quarter. The group does not divulge divisional profits.

The group operating margin rose from 9.2 per cent to 14.8 per cent, or from 7.9 per cent to 13.8 per cent in the half-year.

Second-quarter turnover rose from FM6.9bn to FM13.1bn, lifting the half-year figure from FM16.9bn to FM24.4bn. Earnings per share were FM8.49, against FM2.97.

# Palladium market in turmoil as price jumps

By Kenneth Gooding in London

Turmoil returned to the palladium market yesterday as desperate Japanese investors attempted to cut their losses in a market exceptionally short of the metal.

The price of palladium rose in London by $12.50 a troy ounce, or nearly 5.5 per cent, to $239. This was $1 an ounce below the metal's 17-year peak reached on June 6, after which supply constraints began to have a serious impact.

Palladium is essential for some components used in portable electronic equipment such as mobile phones and laptop computers as well as for catalytic converters that remove pollutants from car exhausts.

The market's difficulties spring from hold-ups and political infighting in Russia, which produces about 70 per cent of the world's palladium. Russia exported no palladium in the first half of this year.

Japanese speculators added to the turmoil because they are estimated to have sold short – sold palladium they did not have in the hope that the price would fall and they could cover their needs and pocket a profit – nearly 1m ounces of the metal, equivalent to about 15 per cent of annual supplies.

The speculators were banking on Russia not only restarting exports but also attempting to make up for lost revenue. However, traders suggest that in the past month only small parcels of Russian palladium have been offered in Europe and just two shipments delivered to Japan, the biggest user.

The Japanese speculators have also been caught out by the strength of the dollar, which has sent the local price of palladium to 800 yen a gram, double the average for the past four years.

"The rising yen price has given them no breathing space to choose when to cover their short positions," said Mr Andy Smith, analyst at Union Bank of Switzerland.

"The squeeze will resolve itself sooner rather than later," he added – because there was no underlying shortage of palladium once Russia solved the problems holding up exports.

Commodities, Page 22

# Two Japanese telecoms companies to link services

By Bethan Hutton in Tokyo

KDD and DDI, two of Japan's largest telecommunications companies, are to provide joint billing and discounting of long distance and international calls, a move which analysts said could herald an eventual merger.

DDI operates domestic long distance and mobile phone services, while KDD is Japan's largest international telephone service provider. The two will combine forces under KDD subsidiary KDD Teleserve to offer customers who use both services a 20 per cent discount and simpler billing arrangements.

The two companies said they were studying other potential areas of co-operation, but denied plans to merge. KDD also announced a similar tie-up with Teleway Japan, a smaller long distance carrier. Tokyo Telecommunications Network, a local operator linked to Tokyo Electric Power, may also link up with KDD.

The KDD-DDI agreement, which should take effect in October, is a response to increasing competition from the planned merger of their two main rivals on October 1.

Japan's ministry of posts and telecommunications yesterday gave final approval to the merger of Japan Telecom, a long distance carrier, and international carrier ITJ.

The Japanese telecommunications market is undergoing a shake-up before deregulation and the entry of new companies to the market. KDD's profits have already been hit by competition in its core business area.

Last month, KDD announced plans to move into the domestic long distance call market. DDI has also begun to expand into the international calls market. Neither company has invested substantially in expansion plans yet.

Mr Makio Inui, telecommunications analyst at Salomon Brothers investment bank in Tokyo, said: "The big question we should be asking ourselves now is whether Japan is going to have two or three carrier groups."

There are rumours that the KDD-DDI alliance could merge with Japan Telecom, after it has absorbed ITJ, along with other smaller companies, to form a substantial force to compete against an NTT grouping. NTT, the semi-privatised telecoms company which dominates the domestic market, is due to be split into three companies in 1999.

# Pearson leaps to interim £81m

By Raymond Snoddy in London

Pearson, the media, information and entertainment group, yesterday set itself a new five-year financial target on the back of a sharp improvement in results.

Announcing pre-tax profits of £81m ($132m) compared with £30m last time, Mrs Marjorie Scardino, chief executive, said the company was aiming to produce double-digit earnings per share growth every year and double its value during the next five years.

Profits from continuing operations almost doubled to £65.5m during the period and sales of continuing businesses grew by 10 per cent to £958m.

The share price rose by 26½p to close at 692¼p.

Mrs Scardino said the aim was to "continue stable growth year after year".

Big increases in operating profits at information and entertainment divisions more than offset increased losses of £29.8m in education and halved profits of £8.9m for investment banking.

In information, the Financial Times saw its profits jump from £3.5m to £22.4m.

The newspaper, which is expanding its US operations, benefited from strong advertising revenues, a reduced cost base and the absence of restructuring costs compared with last year. Recoletos and Les Echos, the Spanish and French newspapers, contributed nearly £20m between them.

In entertainment, Penguin's profits rose from £7.7m to £20.4m, boosted by the acquisition of Putnam Berkley, while losses were cut from £39m to £15.1m at Mindscape, the computer games business.

Adjusted earnings per share – excluding one-off items – rose by 50 per cent to 6p and the dividend was increased by 9 per cent to 7.5p.

Analysts are looking for full year pre-tax profits of between £290m and £300m.

Few prizes, Page 17

BZW - Telecoms

Endesa STET Union Fenosa
BZW acted as adviser to Endesa, Union Fenosa and STET (now Telecom Italia) in the formation of their joint venture and their successful bid for Retevision S.A.
Spain July 1997

OTE
BZW advised OTE Hellenic Telecommunications Organization S.A. on the DM675 million acquisition of 20 per cent of Telekom Srbija.
Greece/Serbia June 1997

TELE DANMARK
BZW advised Tele Danmark A/S on the DM 570 million acquisition of the Talkline Group from RWE AG.
Denmark/Germany July 1997

OTE
BZW was co-global co-ordinator and joint UK bookrunner on the Dr307 billion secondary offering of OTE Hellenic Telecommunications Organisation SA.
Greece June 1997

CABLE & WIRELESS COMMUNICATIONS
BZW advised the newly formed Cable & Wireless Communications plc on the raising of a £2.9 billion debt facility used to finance the existing bank debt and ongoing working capital requirements of the merged companies.
United Kingdom March 1997

BZW Global Communications Group
Advising and financing the Communications Industry.
Dedicated telecoms professionals throughout the Americas, Europe and Asia Pacific.

INVESTMENT BANKING. FROM A TO BZW

# Dickson Concepts set to take control of Barney's

By John Ridding in Hong Kong

Dickson Concepts, the fast-growing Hong Kong retailer, appears to have won the battle to take control of Barney's, the US department store group under bankruptcy protection, with a deal worth US$247m.

Mr Dickson Poon, founder and chairman of the Hong Kong company, said Barney's and a committee of creditors had agreed a financial restructuring which would give Dickson Concepts a 51 per cent stake in the US group.

Although the accord requires approval from a New York bankruptcy court, Mr Poon was confident the deal would be finalised, ending a protracted contest for control.

Dickson Concepts had previously offered $240m for Barney's. Other groups that had negotiated to acquire the company included Saks Holdings, which made a cash and stock offer worth $290m but later withdrew it, and Texas Pacific, an investment partnership led by Mr David Bonderman.

Completion of the accord would give a new lease of life to Barney's, which entered Chapter 11 bankruptcy protection in January last year following a costly expansion strategy and disagreement with Isetan, its Japanese partner.

The deal would also establish Dickson Concepts as a global luxury retailer. The Hong Kong company already owns Harvey Nichols in the UK, Seibu in Hong Kong, and regional franchises for Polo Ralph Lauren and other luxury brands. As with Harvey Nichols, Mr Poon proposes to list Barney's on the stock market.

"It is an agreement that can satisfy the expectations and the needs of each of the parties," said Mr Poon. He added that the Hong Kong group expected to complete due diligence proceedings by mid-August, but that completion of the deal could take five months.

Under the terms of the agreement, Dickson Concepts will pay US$78m for its 51 per cent stake and US$52m for a five-year convertible bond to be sold by Barney's. On conversion, Dickson's stake would rise to about 70 per cent. Dickson will also take on US$75m of Barney's debt and pay US$42m for licensing royalties.

According to Mr Poon, agreement on the restructuring has still to be reached with Isetan. The Japanese retailer, which financed the development of flagship stores in Chicago, Beverly Hills and New York, also has to agree to a restructuring of leases on these properties.

Shares in Dickson Concepts rose almost 3 per cent to HK$27.60 on news of the deal. However, the reaction from analysts was mixed. "I am bullish on management at Dickson Concepts, but Barney's will be more difficult to turn around than Harvey Nichols," said Ms Victoria Cheuk, retail analyst at Goldman Sachs in Hong Kong.

"This would give Dickson Poon and his company a global standing, but the US is a tough market and they don't have experience there," added a European investment banker.

Mr Poon played down the the cost of the acquisition, arguing the deal could be financed from cash holdings and borrowings.

# New challenge for HK rescue artist

## The deal promises significant expansion for Dickson Poon, but there are risks

Patience is paying off for Dickson Concepts. Almost six months after entering the protracted contest for Barney's, it announced a decisive step in the battle for the upmarket but down-at-heel US department store group.

The move promises significant expansion for Mr Dickson Poon, founder and chairman of the Hong Kong company. Providing due diligence is completed by the mid-August deadline and approval from the bankruptcy court is secured, the US$247m deal would give Dickson a substantial presence in the US.

It heralds the Hong Kong's company's arrival as a global retailer, filling a gap in an empire which ranges from Harvey Nichols in the UK to Seibu in Hong Kong, and which covers hundreds of franchises for luxury brands. But the planned expansion also involves substantial risks. Buying Barney's is the most ambitious step to date for Dickson Concepts, bringing hazards along with the cache attached to the chic US group.

Barney's has been in Chapter 11 bankruptcy protection since January last year, saddled with the costs of an aggressive expansion strategy and stricken by legal disputes with Isetan, its Japanese partner.

Reviving its fortunes is a much trickier proposition than the successful turnround of Harvey Nichols, acquired in 1991 for £51m ($83m) and quickly restored to profit.

"They have a lot of hard work to do," says Ms Victoria Cheuk, retail analyst at Goldman Sachs in Hong Kong. "Barney's is not just one store, but a chain, and it has problems on both the operational level and the financial level."

She points to the costly expansion, partly funded by Isetan, which led to new stores and expensive refurbishments and which ultimately led to Chapter 11 for the famous family-run group.

Like other analysts, Ms Cheuk plays down the prospects of a rapid recovery. "This is a long-term commitment," she says. "Four or five years down the road this might seem like the right move," says another. "But the fact that people like Saks pulled out of the bidding suggests it won't be easy."

Optimists point to Mr Poon's track record and his reputation. "Dickson is very disciplined and has an eye for detail," says one Hong Kong banker. Although Mr Poon is often portrayed as a socialite, he is regarded as careful and cautious in business.

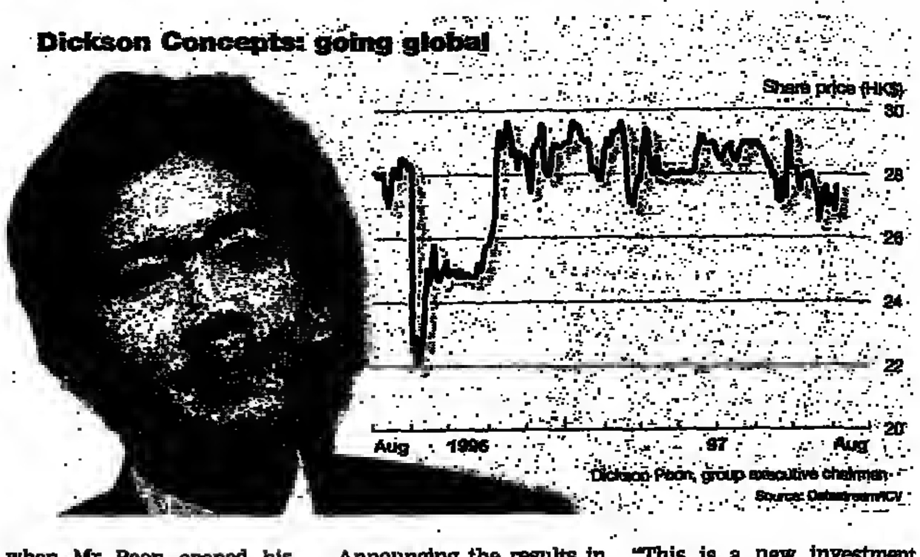
"Redesigns and a fresh image was a big factor in the recovery of Harvey Nichols," the banker says. "But the real improvements came at a more mundane level, in systems and cost controls."

Whether Dickson Concepts can repeat its success at Harvey Nichols – which last week announced profits of £12.14m for the year to end-March – will depend on a similar mix of cost controls and repositioning. "They have got to slow their expansion, and they have got to raise sales," says the retail analyst at a US investment bank.

Some progress is already under way. In June, the US retailer announced it would close four US stores, including a flagship outlet in New York. Mr Poon yesterday described the decision as "probably something correct to do", but remained guarded about his strategy pending completion of the deal.

He was still more reserved about Barney's financial position and whether there would be a role in management for the Pressmans, the group's founding family.

While Mr Poon is expected to curb costs, he is also likely to exploit the Barney's brand outside the US. This has been attempted with mixed success by Isetan, whose legal wrangles with Barney's remain a threat to a smooth conclusion of the deal. More certain is the position from which Mr Poon is taking his boldest step.



Dickson Poon, group executive chairman
Source: Datastream/ICV

From its origins in 1980, when Mr Poon opened his first watch and jewellery shop in Hong Kong, his group has built a retail network of more than 270 outlets. Profits for the year to the end of March trebled to HK$1.35bn (US$174m), boosted by exceptional gains from the spin-off of Harvey Nichols and S. T. Dupont, the lighter and luxury goods group.

Announcing the results in June, Mr Poon predicted more double-digit profits growth in the current financial year. That would not be affected by the acquisition of Barney's, he said yesterday. Nor would the purchase have a significant impact on results in the following year.

However, the move into the US is set to play a wider role in Dickson's prospects. "This is a new investment phase for Dickson Concepts," says Ms Cheuk. Mr Poon's ability to rebuild Barney's matters beyond the faded fortunes of the US retailer and his reputation as a rescue artist. It will determine whether the group he founded can be built into a global network.

**John Ridding**


## Notice

To shareholders in Sparbanken Sverige AB (publ)(Swedbank)

An Extraordinary General Meeting of Sparbanken Sverige AB (publ) will be held at Folkets Hus, Barnhusgatan 14, Stockholm, on Tuesday August 26, 1997 at 10.30 a.m. (CET).

Admission and registration will begin at 9.30 a.m. (CET).

**Notification of attendance, etc.**

Shareholders who wish to attend the Extraordinary General Meeting must be registered in the share register kept by Värdepapperscentralen VPC AB (the Swedish Securities Register Centre) on Friday August 15, 1997, and must notify the Company Secretary, Sparbanken Sverige, S-105 34 Stockholm in writing or by telephoning +46 8 670 21 40 or faxing +46 8 411 56 64 not later than Thursday August 21, 1997 at 3 p.m. (CET).

When giving notice of attendance, shareholders should state name, personal/company registration number (in the case of Swedish citizens or companies), address and telephone number. Shareholders represented by proxy should send a duly signed Power of Attorney and, if the Power of Attorney is issued by a legal entity, a certified Registration Certificate or other document attesting the authority of the person signing to the Bank before the General Meeting.

Shareholders whose shares are nominee-registered must, to be qualified to attend, request that they are temporarily registered under their own name in the share register kept by the Swedish Securities Register Centre. Such registration which normally takes a few days must be effected by August 15, 1997. The nominee should therefore be notified in good time prior to this date.

**Agenda**

1. Opening of the Meeting.
2. Election of Chairman of the Meeting
   *Proposed:* Carl Axel Petri, former Chief Justice of Appeal
3. Appointment of Secretary.
4. Preparation and checking of the Register of Voters.
5. Appointment of two persons to check, together with the Chairman, the Minutes of the Meeting.
6. The question of whether the Meeting has been convened in due order.
7. Address by the President of the Bank.
8. Proposal for approval of a Merger Plan regarding the amalgamation of Sparbanken Sverige AB and Föreningsbanken AB and resolution regarding a new share issue in connection therewith.

*Main features of the Board's proposal:*
In a declaration of intent submitted in February 1997, the Boards of Directors of Föreningsbanken AB ("Föreningsbanken") and Sparbanken Sverige AB ("Sparbanken") unanimously resolved to propose that the two banks be amalgamated. In a first phase, Sparbanken has made a public offer to Föreningsbanken's shareholders and to holders of warrants issued by Föreningsbanken to receive newly issued shares in Sparbanken in exchange for shares and warrants in Föreningsbanken. This phase was implemented through a non-cash issue decided by the Annual General Meeting on April 23, 1997 directed at Föreningsbanken's shareholders and warrant holders which was registered by the Swedish Financial Supervisory Authority on June 3, 1997. Through that non-cash issue, Sparbanken's share capital was increased by SEK 1,454,345,380 to a total of SEK 7,017,959,430. At the time of the registration of the issue, Sparbanken had at its disposal approximately 98.5 per cent of the total number of shares and votes in Föreningsbanken. Föreningsbanken is thus a subsidiary of Sparbanken.

Since the first phase of the proposed amalgamation of Föreningsbanken and Sparbanken has been completed, the Boards of Directors of the two banks have decided to embark on the second phase of the planned amalgamation. On June 19, 1997, the Boards established a joint Merger Plan relating to the amalgamation of the two banks with Sparbanken as the acquiring company and Föreningsbanken as the assigning company. The Merger Plan was registered by the Swedish Financial Supervisory Authority on June 25, 1997. Particulars of the registration were published in Post- och Inrikes Tidningar (the official Swedish Gazette) on July 2, 1997. The Merger Plan and documents appended thereto have since been kept available for the shareholders of the two banks at the head office of the respective bank.

The Board of Directors recommends that the General Meeting approve the thus-established and registered Merger Plan and at the same time pass a resolution regarding a new share issue at which the new shares shall constitute the merger consideration for shares in Föreningsbanken.

The effect of the proposed new share issue will be that Sparbanken's share capital, which currently amounts to SEK 7,017,959,430, will be increased by not more than SEK 44,877,020 through the issue of not more than 2,243,851 new shares, each with a nominal amount of SEK 20. The following terms and conditions are proposed to apply to the new share issue.

a) The merger consideration shall only be paid in respect of such shares in Föreningsbanken which at the time of registration of the merger between Sparbanken and Föreningsbanken are owned by a party other than Sparbanken. Entitled to receive the merger consideration shall be those who on that date are registered on a Swedish Securities Register Centre Account (VP-konto) for shares in Föreningsbanken. In that connection, two new shares in Sparbanken shall be received for each full seven series A common shares in Föreningsbanken and one new share in Sparbanken be received for each full three series B preference shares in Föreningsbanken.

b) The new shares will carry the right to dividends from and including the 1997 financial year

*To those shareholders in Föreningsbanken, whose holding of* common and preference shares, respectively, in Föreningsbanken is not evenly divisible by seven and three, respectively, accounting of the merger consideration in respect of the surplus number of shares - i.e. 1-6 common shares and 1-2 preference shares, respectively, per shareholder in Föreningsbanken - is proposed to be made in the following manner. All these shares will be sold on the market. Commission or other fees will not be charged in connection with the sale. After all the shares in question have been sold, payment of the obtained sales settlement will be made to the previous holders of the shares. The settlement will be distributed between them in accordance with the grounds for the distribution of the merger consideration in general.

9. Proposal for amendments to the Articles of Association

*Main features of the Board's proposal:*
As a step in the proposed amalgamation of Föreningsbanken AB ("Föreningsbanken") and Sparbanken Sverige AB ("Sparbanken") it is proposed in the aforementioned declaration of intent for merger between the two banks that the name of the merged bank shall be FöreningsSparbanken AB.

As stated above, the Boards of Directors of the two banks established a joint Merger Plan on June 19, 1997 for the amalgamation of Föreningsbanken and Sparbanken and resolved to propose that the respective Annual General Meeting approve the Merger Plan.

As a consequence of the new share issue directed to shareholders and warrant holders in Föreningsbanken resolved by the Annual General Meeting of Sparbanken on April 23, 1997 Sparbanken is now, as stated above, the holder of approximately 98.5 per cent of the total number of shares and votes in Föreningsbanken.

Against this background, the Board of Directors proposes that Section 1 Para one of the Articles of Association be changed with the effect that the Bank's name shall be FöreningsSparbanken AB, applicable, however, only from the date when notification of the merger between Sparbanken and Föreningsbanken has been registered or from such earlier date as the Board of Directors decide.

In addition, the Board of Directors proposes that Section 6 Para one be changed with the effect that the Board of Directors of the Bank, in addition to the Members which are by law appointed by a party other than the General Meeting, shall consist of not less than nine and not more than eighteen Members together with one Deputy Member.

10. Determining the number of Directors and Deputy Directors to be appointed by the General Meeting.
    *Election Committee's proposal.* See below.
11. Determining the remuneration to Directors.
    *Election Committee's proposal.* See below
12. Election of Directors and Deputy Director.
    *Election Committee's proposal.* See below
13. Appointment of Election Committee.
14. Other matters, if any
15. Closing of the Meeting.

The complete proposals of the Board of Directors with regard to items 8 and 9 as well as documents in accordance with Chapter 4 Section 2 Para two, Chapter 4 Section 5 Para one and Chapter 4 Section 7 Paras two and five of the Banking Companies Act (1987:618) are available from the Company Secretary of Sparbanken Sverige AB, Brunkebergstorg 8, Stockholm.

Stockholm, August 5, 1997
Sparbanken Sverige AB (publ)(Swedbank)
Board of Directors

Against the background of the proposed amalgamation of Föreningsbanken AB and Sparbanken Sverige AB, the Election Committee appointed by the General Meeting has proposed that the Board of Directors of Sparbanken Sverige AB shall consist of 18 Board Members and one Deputy Board Member.

Ahead of the proposed amalgamation, the Election Committee in consultation with the principal shareholders of the two banks, Lantbrukarnas Riksförbund (LRF) and Sparbanksstiftelsernas Förvaltningsaktiebolag, respectively, have nominated a Board of Directors consisting of 18 Ordinary Members and one Deputy Member. 11 of the 18 nominated Members are included on the Board of Directors of Sparbanken Sverige AB and were elected by the Annual General Meeting of the Bank on April 23, 1997 for a period of one year.

Accordingly, the Election Committee has proposed new election of an additional seven Ordinary Members - Bo Dockered, Håkan Hellmo, Birgitta Johansson-Hedberg, Hans Jonsson, Anna-Stina Nordmark-Nilsson, Karin Starrin and Leif Zetterberg - and new election of one Deputy Member, Lars Idermark.

The Bank's Annual General Meeting on April 23, 1997 resolved that a total annual remuneration of not more than SEK 2,500,000 should be paid to the Board Members elected by the Annual General Meeting until the next Annual General Meeting has been held.

The Election Committee has proposed that, in addition to the previously-decided total annual remuneration of SEK 2,500,000 an additional sum totalling SEK 600,000 shall be paid in remuneration to the Board of Directors during the period until the next Annual General Meeting has been held

The complete proposal of the Election Committee is available from the Company Secretary, Sparbanken Sverige AB, Brunkebergstorg 8, Stockholm.

*The Election Committee, comprising Bertil Göransson, former* County Governor, Chairman, Lorentz Andersson, Commissioner, Jan-Erik Erenius, President of AMF Pension, Thomas Halvorsen, President of the 4th National Pension Insurance Fund, Lars Laurin, Lawyer, Carl Axel Petri, former Chief Justice of Appeal and Arne Torstensson, President of Ulricehamns Sparbank, represents approximately 40 per cent of capital as well as voting rights in the Bank.

SPARBANKEN SVERIGE
Swedbank


Underwriting loss of £40m hits Asian subsidiary of HSBC Holdings

# Profits growth limited at HongkongBank

By Louise Lucas in Hong Kong

A £40m ($65m) underwriting loss dented first-half results at HongkongBank Group, the Asian arm of HSBC Holdings. Operating profits rose 14 per cent to HK$14.9bn (US$1.9bn), but earnings at the attributable level were held to HK$10.31bn, up 7 per cent.

Net interest income grew 11 per cent from HK$14.64bn to HK$16.31bn, in spite of a continuing squeeze on margins in Hong Kong following robust growth in loans to customers.

Costs grew rapidly, however, with total administrative expenses up 7 per cent to HK$9.1bn and staff costs rising 10 per cent to HK$5.3bn, in spite of lower pension costs.

At Hang Seng Bank, the group's 61 per cent-owned subsidiary and Hong Kong's second-biggest listed bank, net interest income was up by 9.8 per cent, from HK$5.01bn to HK$5.5bn, also boosted by growth in advances, which helped offset the fall in residential mortgage pricing.

Analysts, who had been bracing themselves for a bigger margin squeeze, were impressed by Hang Seng Bank's small drop in net interest margin, from 3.12 per cent to 3.08 per cent. This was attributed to balance sheet flexibility.

Hang Seng Bank posted a 14.5 per cent increase in attributable profits at the interim stage, from HK$4.35bn in the first half of 1996 to HK$4.98bn in the same period this year, at the top end of market forecasts.

Dr Lee Quo-wei, chairman, described the results as satisfactory given the intense competition within the banking sector, especially in the mortgage market.

Looking ahead, he said China's resumption of sovereignty over Hong Kong on July 1 will lead to closer economic interdependence and provide further impetus for growth in both places.

"Against this backdrop, the bank is well-positioned to build on its high liquidity, strong capital base, lean cost structure and well-established customer franchise to sustain business growth," he said.

Earnings per share at Hang Seng Bank rose 14.5 per cent from HK$2.25 in the first half of 1996 to HK$2.58 this year. The company proposes to lift the interim dividend 11.1 per cent, from HK$1.26 to HK$1.40.

Provisions fell from HK$220m to HK$205m at Hang Seng Bank. At group level the net charge for bad and doubtful debts was 23.9 per cent higher at HK$752m.

The bank said this related largely to growth in general provisioning, arising from its expanded loans portfolio, and said specific provisions fell sharply.

# HSBC rues 'misjudgement'

By George Graham and Louise Lucas

Another commercial bank came to grief in investment banking yesterday when HSBC Holdings, the UK-based group which owns HongkongBank and Midland Bank, revealed a £40m ($65m) loss on a Hong Kong equity underwriting.

The loss was offset by a £92m profit on disposals of venture capital investments, but still left pre-tax profits in HSBC's investment banking arm 17 per cent lower in the six months to June 30, at £144m.

HSBC did not name the issue it had underwritten. The loss shows up both in the investment banking division and in the results of HongkongBank, HSBC's Asian unit.

"From time to time, underwritings go wrong. I guess the best way to describe it is that they misjudged the market," said Sir Willie Purves, group chairman. Mr John Bond, group chief executive, said it was "the first mistake I can recall in recent years."

In the UK, Barclays and National Westminster Bank have been criticised by analysts and fund managers over inadequate returns by their investment banking arms. In HSBC's case, however, the operation is such a small part of the group that it appears unlikely to attract much attention.

Investment banking, including asset management, private equity and the James Capel equities business, contributed only 5 per cent of group attributable profits in the first half.

The group reported higher fee income from its corporate finance and privatisation advisory businesses, as well as higher commissions from equity broking.

Profits from asset management fell because of adverse exchange rates and a failure to repeat a strong performance in European retail investment products a year ago.

# Flat costs help Midland to advance 27%

By George Graham, Banking Correspondent

Midland Bank, the UK arm of HSBC Holdings, raised first-half pre-tax profits 27 per cent to £829m ($1.35bn) as its loan book rose 10 per cent to £105.5bn and costs stayed flat at £1.1bn.

Midland, which was rocked by costly overseas ventures when HSBC took control in 1992, has been rebuilding its market share in the UK banking market.

The first half profits are comfortably ahead of National Westminster Bank, which has said its own interim profits, to be announced this morning, will not exceed £770m.

Mr Keith Whitson, Midland chief executive, said tight control of expenses had kept costs to 56 per cent of income, an improvement from 62 per cent in the same period a year earlier.

The cost-income ratio for UK banking operations improved from 64 per cent to 57 per cent.

Sir Willie Purves, HSBC chairman, said it would be difficult for Midland to reduce costs further while business was expanding, with new telephone banking centres coming onstream both for the traditional bank and for First Direct, its direct banking subsidiary.

"The key for us is how to improve the revenue," he said.

Operating profits rose 30 per cent to £873m before provisions, helped by a first-time contribution from Eversholt, the rail leasing business bought in February by Midland's Forward Trust finance house.

Operating profits from managing the group's portfolio of debt from less developed countries increased from £17m to £56m.

Recoveries of previously made bad debt provisions rose as a result of its decision to sell some of its LDC debt holdings to offset its increased exposure in Latin America following the acquisition of Bamerindus in Brazil and a number of other stakes in the region.

# Posco advances 41% at midway

By John Burton in Seoul

South Korea's Pohang Iron and Steel (Posco), one of the world's largest steelmakers, reported provisional net profits for the first half of 1997 up by 41 per cent, to Won543.2bn ($610.7m), as sales climbed 8.8 per cent to Won4,544bn.

Posco said it would easily meet its 1997 earnings target of Won879bn on sales of Won9,800bn, because of higher export prices in the second half. However, analysts expressed concerns about performance if Posco's joint bid (with Dongkuk Steel) for the bankrupt Hanbo steelworks succeeds.

First-half profits benefited from tight supply in the domestic steel market, which allowed Posco to increase prices.

Analysts said that Posco's profit margins are healthy because it is one of lowest cost steel producers in the world due to the automation of its steel mills.

Earnings were also improved by lower depreciation costs and reduced capital investments as its programme to expand production capacity nears completion.

Posco will overtake Nippon Steel as the world's biggest steel maker this year if it succeeds in its bid for the Hanbo steelworks, the second largest in Korea.

However, Moody's, the US credit rating agency, last week placed its A2 unsecured debt rating of Posco under review for a possible downgrade because of the impact of the Hanbo deal.

Creditor banks have since rejected the initial $2.2bn offer by Posco and Dongkuk for Hanbo as too low, but most analysts believe the banks will have little choice but to accept the bid.

# Further job cuts at PLDT

By Neri Tenorio in Manila

Philippine Long Distance Telephone, the country's biggest telecoms operator, is to cut about 1,000 staff between the second half of 1997 and 1998, in addition to the 3,431 redundancies made over the last 18 months under a streamlining programme. About 350 employees may go by the end of this year.

Mr Edgardo del Fonso, PLDT chief financial officer, said the company had spent 1.35bn pesos ($46.2m) on redundancy payments since the programme was launched in December 1995, and had set aside an additional 300m pesos for the new cuts. As of June, the company had a total work force of 15,803, down from 18,273 at end-1996.

PLDT last month posted a 28.6 per cent increase in first-half net income, from 2.92bn pesos a year earlier to 3.75bn ($130m), aided by a 703.1m peso gain from the sale of shares acquired earlier by Piltel, its mobile phone affiliate.

The extraordinary income more than offset redundancy payments of 585m pesos during January-June.

# Foster's buys wine club

By Elizabeth Robinson in Sydney

Mildara Blass, the wine division of Foster's, the Australian drinks group, has acquired Cellarmaster Wines, the world's second-largest wine club operator.

The acquisition, for A$160m (US$117.9m) including borrowings, will "form the third division of our international strategy", said Mr Ray King, Mildara Blass chief executive. "Our overseas thrust has underpinned the reason for the purchase."

Mildara Blass plans to produce wine outside Australia and expand its export business.

Mr King said that selling wine by mail order was more developed in Australia than anywhere in the world, accounting for between 13 and 14 per cent of all wine sales. This compares with about 5 per cent in the UK and 2 per cent in the US.

Cellarmaster is the market leader in Australian wine mail order with about 40 per cent and wine sales last year of A$104m. "If Cellarmaster's success in Australia can be replicated overseas then it is a goldmine," said Mr King.

It was considering entering the US, UK and South Africa, he added. Cellarmaster also markets healthcare products. Last year total sales were A$154m.

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**COMPANIES AND FINANCE: EUROPE**

# Scania slides 56% but sees upturn

**By Greg McIvor in Stockholm**

Soft demand in Europe led to a 56 per cent slide in first-half profits at Scania, but the Swedish truck and bus company said yesterday a market upturn would lead to more stable prices.

Pre-tax profits fell from SKr2.1bn to SKr1.3bn ($162m) as Scania felt the impact of price erosion in its main market of western Europe. The decline would have been steeper but for a SKr400m gain from favourable exchange rate movements.

The figures were slightly below analysts' expectations, but hopes of a turnround helped lift Scania's most-traded B shares SKr4.50 to SKr230.

Mr Leif Oestling, chief executive, said sales volumes were low and prices had come under pressure during the first six months. However, an improvement in demand for heavy trucks which began late in the first quarter had strengthened.

"A market upturn now seems to be occurring. In my experience, higher demand generally leads to more stable prices," he said.

Order bookings for heavy trucks in western Europe rose 8 per cent, or by about 10 per cent in the second quarter against the first quarter. However, Scania said this would not affect earnings until the second half.

The west European truck market fell 11 per cent and Scania's own sales dropped 10 per cent.

Scania was also hit by an increase in costs from SKr12.6bn to SKr14.5bn, in spite of efforts to keep overheads down.

Group turnover was SKr18.9bn, against SKr17.4bn a year ago.

The UK – Scania's biggest European market, and one in which it is market leader – France, the Netherlands and Italy all showed declines of more than 20 per cent. By contrast, Scania's German sales rose 3 per cent.

Scania's share of the west European market declined from 16.1 per cent to 15.4 per cent, taking it below its Swedish arch-rival Volvo to third place in the region behind Mercedes.

Scania sold 22,433 trucks and buses, a 3 per cent drop. Earnings per share slipped from SKr7.55 to SKr5.

The UK was replaced as Scania's biggest single market by Brazil. Latin American sales rose from 4,262 units to 5,482 units.

In buses, Scania's west European market share slipped from 10.1 per cent to 8.1 per cent. Overall demand was flat.

The biggest drop was in the UK, where Scania registrations fell from 182 to 97. However, the group was confident of recapturing its position when its new 4-series bus is introduced this winter.

# Virgin empire eyes S Africa

Virgin chief Richard Branson: 'Cosmetics and jeans will follow the airline' *Ashley Ashwood*

Days before Virgin Atlantic launched daily flights to Johannesburg last month, Mr Richard Branson received a good luck message from striking staff at British Airways.

But while Mr Branson's ambitions may be welcomed by staff locked in an industrial dispute at a rival airline, Virgin's plans in Africa extend to other industries where competition will be less warmly received.

His bid for a bigger slice of the Heathrow-Johannesburg route, reckoned by Virgin to have contributed as much as 10 per cent of BA's pre-tax profits in the early 1990s, is the first serious challenge to the duopoly previously enjoyed by BA and the state-owned South African Airways.

It also heralds the arrival in South Africa of a raft of Virgin businesses, which are gearing up to test Africa's biggest emerging market. "We hope we can get one brand to help another," says Mr Branson. "Cosmetics and jeans will follow the airline. South Africans seem to read the British press a lot, and we've got a high brand profile there already."

Among the most serious contenders is Virgin Direct, which sells investment services by telephone, while Virgin Media last year formed a joint venture with Sowetan Megalomedia, a community-based station in Soweto, to bid for a national commercial radio licence. The application was rejected by the country's first Independent Broadcasting Authority, but despite this defeat – and a ceiling of 25 per cent on foreign ownership of local broadcast media – Virgin is considering a bid for South Africa's first commercial terrestrial television channel.

"We wouldn't normally be interested in such a small stake," says Mr David Campbell, chief executive. "But we like the market. There is enthusiasm for a fresh start and good local partners."

A variety of fast moving consumer goods are also earmarked to follow Virgin Vodka, which arrived with the airline. These include Virgin Cola, cosmetics, and the staple fare of Virgin Megastores spanning CDs, videos and clothing. The stores will be designed with a view to accommodating Virgin Cinemas at a later stage.

A more promising market is tourism, where growth is thought largely untapped. Virgin Holidays launched its first packages in October – when the airline began flights, three times weekly, to Johannesburg – and aims to sell 5,000 holidays during its first full season.

"We have never sought to bring so many products to one country as quickly as we are doing in South Africa," says Ms Tracey Meaker, Virgin's corporate affairs director in Johannesburg.

Nevertheless, many of Virgin's prospects hinge on further liberalisation of the highly concentrated South African economy.

Since 1992, when the airline began lobbying for commercially viable slots at Heathrow for its Johannesburg service, the number of carriers flying to Johannesburg from other international capitals has increased from 14 to at least 60.

Increased competition has reduced profits, strengthened the case for more rapid deregulation, and made South African Airways a strong candidate for privatisation. "We have to move fast," says Mr Mac Maharaj, minister of transport. "SAA is a wasting asset in an era of global alliances in the airline industry."

A tranche of between 25 and 49 per cent is to be privatised in the first half of 1998, and Virgin is contemplating a bid. Although SAA has forecast operating losses this year, bidding among international airlines is likely to be intense.

Should Virgin succeed, executives hope the part-privatisation could provide a vehicle to develop a pan-African carrier. It recently dropped an offer to buy Sun Air, a small domestic airline, because the conditions of the sale prevented further expansion in the sub-Sahara.

But most testing of all will be the soft drinks market. Two months ago Pepsi admitted defeat at the hands of Coca-Cola. Analysts say that without investment of at least $200m in new infrastructure and distribution, Virgin Cola will depend on off-the-shelf sales through established retail chains. "We've had a lot of no-name brands come through supermarkets, and none have achieved more than 5-7 per cent of the market," says Mr Murray Winckler, head of research at Deutsche Morgan Grenfell.

Virgin is undeterred by past failures. The group has a record of tackling highly concentrated markets, says Mr Will Whitehorn, the group's director of corporate affairs. "South Africa does not have the monopoly on this kind of thing. These are today's problems, they may not be tomorrow's."

**Mark Ashurst**

# New products behind sharp rise at Teva

**By Avi Machlis in Tel Aviv**

Teva Pharmaceuticals, Israel's biggest drugs manufacturer, yesterday said healthy sales of new products were behind its 91 per cent surge in net income for the first half of the year.

Net income jumped from $34m in the first half of 1996 to $65m in the same period this year.

The year-ago figure excludes a one-off charge of $15m after tax for the merger with Biocraft of the US in May last year.

Sales climbed 22 per cent from $440m to $538m over the same period.

Earnings per American Depository Receipt rose from 56 cents in the first half last year, excluding the one-off charge, to $1.06 this time.

The company also announced an interim cash dividend of Shk0.30 for the second quarter of 1997, to be paid on September 11.

Analysts said Teva's results were in line with expectations.

Teva declined to release initial sales figures for Copaxone, its multiple sclerosis treatment, which it began selling in the US during the second quarter this year.

Mr Dan Suesskind, chief financial officer, said the company would wait until it had gathered more data.

Copaxone is expected to be Teva's main source of growth in the coming years. Analysts predict it could bring in additional annual revenues of up to $300m.

Teva said about 4,000 multiple sclerosis patients in the US were using Copaxone, and 1,000 new patients were starting the drug each month.

"We feel that we have the majority of new prescriptions," said Mr Suesskind. "More new patients are selecting Copaxone over the competition."

Lehman Brothers, the investment bank, estimated in a report that Teva had captured 23 per cent of the US multiple sclerosis treatment market as of late June.

Mr Eli Hurvitz, Teva chief executive officer, said Copaxone sales would begin to be reflected in financial results next year.

Teva hopes to receive marketing approval for Copaxone in Canada by this autumn.

It is also waiting for approval to market the drug in the UK. It expects to receive this during 1997 and aims to use the UK as a springboard for continental Europe.

## EUROPEAN NEWS DIGEST

# Pripps Ringnes in PepsiCo deal

Pripps Ringnes, the Swedish-Norwegian beverages subsidiary of Orkla, the Norwegian conglomerate, has signed a bottling and licence agreement with PepsiCo of the US. It comes a year after Pripps Ringnes ended a long-standing collaboration with Coca-Cola after disagreements over strategy.

Orkla said it had agreed to enter an exclusive franchise agreement covering the production, distribution and sales of Pepsi-Cola and Seven-Up products in Sweden. Preliminary discussions are under way about a similar alliance in Norway. The new contract will help fill a void at Pripps Ringnes. The loss of the Coca-Cola contract deprived it of revenues of around SKr2.7bn ($337m), or 35 per cent of its turnover. Orkla said the new agreement would come into force on January 1 2001, after the expiry of PepsiCo's existing bottling agreement with Spendrups, the Swedish brewer. *Greg McIvor, Stockholm*

■ AUSTRIA

### Shareholders back bank merger

Plans for Austria's biggest initial public offering took a step forward yesterday after shareholders of Die Erste, Austria's fourth-biggest bank, and GiroCredit, the third biggest, supported the merger of the two groups to form Erste Bank.

Anteilsverwaltungsparkasse (AVS), the holding company of Die Erste, said holders of more than 75 per cent of the preference shares of both banks had endorsed the share conversion terms, which assure the merger will go through at the extraordinary meeting on August 21. The approval clears the way for an IPO in the fourth quarter of about one-third of the equity of the enlarged group. The issue is expected to raise Sch8bn-Sch10bn ($612m-$765m). Part of this will be used to pay off the Sch8.2bn purchase of GiroCredit. *William Hall, Zurich*

■ RETAILING

### BP forms venture in Portugal

UK oil group British Petroleum has formed a joint venture with Portuguese retailer Modelo Continente to develop convenience stores beside BP filling stations in Portugal. BP Portuguesa and Modelo Continente, part of the Sonae conglomerate, said yesterday the venture would open with a few pilot stores, but would be extended to a further 100 if the concept proved successful. Financial details were not disclosed. This is BP's second venture with a large European retailer. In September 1996, it signed an agreement with Safeway, the UK retailer, for 100 jointly-owned food and fuel sites. *Agencies, London*

■ AIRLINES

### Lufthansa, Finnair end agreement

Finnair of Finland and German carrier Lufthansa are winding down a six-year co-operation agreement which involved code-sharing and a joint frequent-flyer programme. The German airline said yesterday that the decision was necessary to "avoid conflicting interests in the Nordic market" arising from its agreement with Scandinavian Airlines System. Code-sharing will end on October 25, while the frequent-flyer programme will continue until the end of the year. *Agencies, Helsinki*


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AGENT

Deutsche Bank Luxembourg S.A.

July 1997

# PolyGram poised to shake up Motown

By Alice Rawsthorn

PolyGram, the Dutcb entertainment group, ls expected to merge the management of Motown Records, the legendary US soul label, into that of Mercury, the US-based record company behind Bon Jovi and Hanson.

The move raises questions about the future of Mr André Harrell, the bigh-profile record executive appointed chairman of Motown less than two years ago. Under the new regime, he will report to Mr Danny Goldberg, Mercury cbairman.

PolyGram declined to comment on speculation about the merger, or Mr Harrell's future.

However, tbe Dutch group is known to be disappointed hy his lack of progresa in rejuvenating Motown, and a formal announcement is likely within a few weeks.

Under Mr Berry Gordy, its founder, Motown became the most successful black record label of the 1960s and 1970s, with a series of hits from Marvin Gaye, Stevie Wonder, The Jackson Five and the Supremes.

However, Motown failed to adapt to the changes in the black music market during the 1980s and early 1990s, leaving younger labels to exploit the buoyant new genres of rap and hip-bop.

PolyGram honght Motown for $301m in 1993 from Boston Ventures, a private investment company, in a series of record label acquisitions. It has since attempted to revitalise the label.

Mr Harrell, 37, was headhunted to run Motown in October 1995, when he was reported to have been paid a $10m signing fee.

Once a minor rap artist, he made his name in the music business in 1986 by founding Uptown Entertainment, a record label owned by Universal Music (now part of Seagram, the Canadian drinks group), which nurtured a string of best-aelling hip-hop acts including Heavy D. and Mary J. Blige.

In spite of having signed dozens of new acts to Motown, Mr Harrell has yet to produce enough bits to satisfy PolyGram.

After the merger, Motown is expected to retain its own brand identity and roster of artists, but it will come under the administrative aegis of Mr Goldberg at Mercury.

Mr Goldberg has had considerable success at Mercury since he joined the label a couple of weeks after Mr Harrell's appointment to Motown.

Mercury, like Motown, desperately needed to modernise its roster. Several new acts signed by Mr Goldberg, a former Warner Music executive, have already yielded hits, including Hanson, the boy band which has sold nearly 4m copies of its debut album worldwide.

# A maverick David to Mexico's Goliaths

## Ricardo Salinas Pliego has attracted much controversy in his battles with the corporate establishment

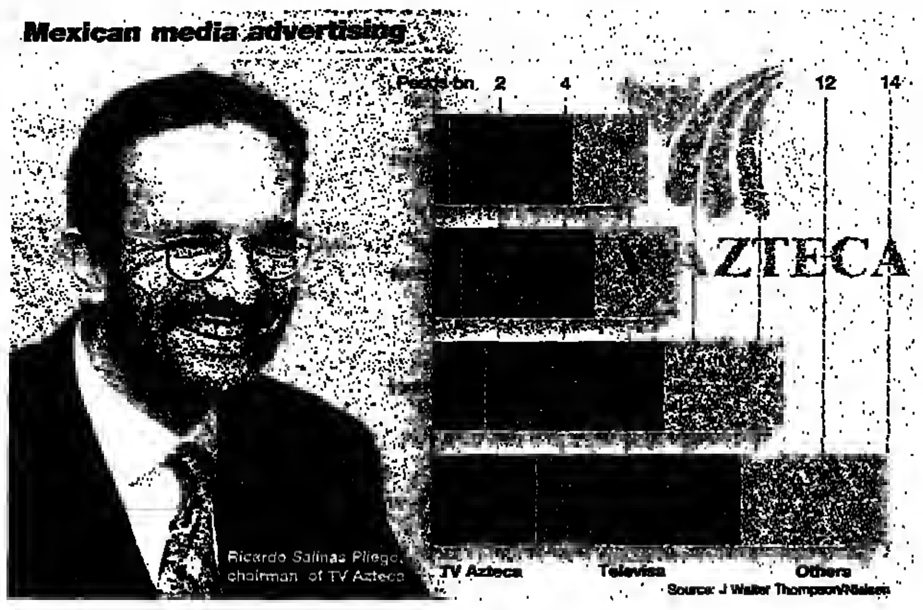
In the course of his meteoric rise from white goods salesman to media mogul, Mr Ricardo Salinas Pliego, the 41-year-old owner of Mexico's TV Azteca and Elektra chain of retail stores, has dodged political scandals and fallen out with business partners – yet he bas not been afraid to take on the Goliaths of Mexico's corporate establishment.

His brazenness and personal wealth, estimated hy Forbes magazine at $1.7bn, have made him a controversial figure in Mexico.

Mr Salinas Pliego's plans to float TV Azteca on the Mexico City and New York stock exchanges within the next two months have put him back in the news. The placement of 22 per cent of Mexico's second-largeat broadcaster, the only serious competitor to Televisa, is expected to fetch between $500m and $570m.

Unlike most initial public offerings, bowever, the proceeds will not go towards financing the expansion of TV Azteca. Instead, tbe bounty will be used to patch up the quarrel between Mr Salinas Pliego and his business associates that threatened to tear TV Azteca apart.

When the Mexican government privatised two television networks in 1993, Mr Salinas Pliego and the Saba family, wealthy property and textile barons, presented the winning $641m hid.




Ricardo Salinas Pliego, chairman of TV Azteca

Mr Salinas Pliego and the Sabas eacb raised $200m, with a small group of investors contributing $70m and the remainder coming from bank loans in the form of convertible bonds.

When the loans were paid off tbis year, Mr Salinas Pliego is understood to have privately acquired the stock options held hy the banks. This raised his shareholding in TV Azteca from 48 per cent to 66 per cent.

The Sabas were far from thrilled to discover that their sbarebolding bad in effect been diluted, and threatened to take the dispute to government arbitration.

After weeks of acrimony, both sides agreed to float TV Azteca, a solution that will allow Mr Moisés Saba and Mr Alberto Saba to realise investments that have more than trebled in value.

The float is expected to attract strong demand, as TV Azteca is casb-rich and its potential to grow at the expense of Televisa, Mexico's dominant media group, is considerable.

"Azteca's programming is fresh and has been gaining ratings impressively," says Mr Sbane McGuire, media analyst with Deutsche Morgan Grenfell. "The company is becoming a tremendous headache for Televisa."

Last month, TV Azteca claimed it had captured 37 per cent of Mexico's prime-time viewing audience, twice the number of viewers it had a year ago. Cheaper advertising rates and more flexible payment plans also allowed it to corner 30 per cent of the television advertising market, the company said.

Net revenues of 1.53bn pesos ($192m) in the first balf of 1997 compared with 713m pesos a year before, while net profits rose from 498m pesos in the first half of 1996 to 616m pesos.

The Sabas are not the only partners Mr Salinas Pliego has alienated. Last April, NBC, the US broadcaster, requested the intervention of the Paris-based International Chamber of Commerce over a $28m dispute with TV Azteca.

NBC claims it is owed $5.5m for providing management expertise and programming after Mr Salinas Pliego took over tbe two ailing government networks. But TV Azteca alleges NBC did not live up to its part of the bargain and therefore it owes the US network nothing.

Mr Salinas Pliego also took considerable political beat last year for his links with Mr Raúl Salinas de Gortari, the disgraced elder brother of Mr Carlos Salinas de Gortari, Mexico's former president. Mr Raúl Salinas has been in jail since 1995 awaiting trial on charges of murder, "inexplicable enrichment" and forgery.

In spite of, or perhaps because of, the controversy that surrounds him, Mr Salinas Pliego has many admirers in Mexico. "He is simply brilliant – always three steps ahead of the opposition," says a TV Azteca minority shareholder.

But some investors are concerned abont the barter arrangements between Elektra, a publicly traded company with a market capitalisation of $1.7bn, and tbe privately-owned TV Azteca.

Mr Salinas Pliego's family owns 80 per cent of the retail chain and got deeply into debt through Elektra to finance his original $200m stake in TV Azteca. Mr Salinas Pliego sold 20 per cent of the broadcaster to Elektra to pay off his debts. He has also used TV Azteca exhaustively to advertise Elektra's hire-purchase schemes for low-income families.

Standard & Poor's, the US credit rating agency, has warned that there is some concern over the dominance of the principal shareholder.

"In the past couple of years Elektra has provided funding to TV Azteca via cash and certain barter arrangements," S&P says in a report on the TV company. "The economic incentive to provide such support results from the common ownership and is the basis for viewing the separate operations on a consolidated basis."

**Leslie Crawford**

AMERICAS NEWS DIGEST

# Jobs link lifts Apple shares

Shares in Appla Computer continued to edge upwards yesterday as investors pinned their hopes on the leadership of Mr Steve Jobs, the charismatic Apple co-founder who is steering efforts to get the company back on track. Although still acting in the unofficial capacity of a "part-time adviser" to Apple management and boards, Mr Jobs was eetting the company's agenda, industry analysts said.

"Chairman or not, Steve is in charge," said Mr Tim Bajarin, president of Creative Strategies, a market researcb group. Last week Mr Jobs denied plans to take on the role of cbairman, but analysts are convinced that be will play a leading role in the company's future.

Mr Jobs is expected to use a speech at a Boston trade show on Wednesday to announce new board members, including Mr Larry Ellison, chairman and chief executive of Oracle . There is also hroad speculation that Mr Jobs may take a position on the Apple board.

"Apple is in a tenuous position at best," said Mr Bajarin. He added that while most of the blame for the company's decline and mounting losses has fallen on Mr Gil Amelio, who resigned last month from his post as chief executive, and his predecessor, Mr Michaal Spindler, Apple's inactive board had much to answer for. The company "needs an active, industry-driven board" to map its future.

The next challenge will be to find a chief executive for Apple. In the meantime, Apple must stem its declining market share. Tha company is focusing immediate attention on market segments such as ednc̈ation and pnhlishing where it aims to defend its relatively strong position. It is also understood to be accelerating development of a low-cost "network computer", or terminal that could be used for home or office access to the internet.

In mid-session yesterday Apple shares were trading at $19 7/16, up $¼. On Friday, the shares jumped 15 per cent from $17⅛.

*Louise Kehoe, San Francisco*

■ ENDESA

## Enersis management to remain

Endesa of Spain's proposed purchase of a controlling stake in Enersis, Chile'a higgest electricity group and its biggest private company, will leave the current management in place until at least 2000.

Endesa will appoint an adviser to the board and the chief executive officer as soon as the deal is completed, but will not take a seat on the board until the annual meeting in 2000. A group of 14 executives are understood to have five-year management contracts which expire in 2002.

Endesa is proposing to buy out the manager-worker shareholders in Enersis, a holding company with subsidiaries in Chile, Argentina, Brazil, Peru and Colombia with a market value of almost $5bn. It aims to acquire 100 per cent of the five publicly-traded investment companies, known as the Chispas, which are collectively the single largest shareholder with a 29.04 per cent stake. Endesa will make a public tender offering of 220 pesos per share, with a 40 peso premium for shares owned by workers at the company.

The Chispa shareholders have the option of exchanging their stake for shares in Endesa via Euroluz, a new investment company. They are being offered a preferred price of Pta2,841 a share – Endesa was trading at Pta3,200 on Friday – for up to 5 per cent of the company.

Endesa expects to pay up to $1.2bn for the Chispas shares, depending on the extent of the share swap, and will subscribe a proportional (29 per cent) share in a $1bn capital increase planned for early next year, bringing its total investment close to $1.5bn.

*Imogen Mark, Santiago*

■ GENERAL MOTORS

## $2.5bn share buy-back completed

General Motors yesterday has completed a $2.5bn buy-back of 43.7m shares over the past six months and has approved a plan to repurchase an additional $2.5bn in stock.

In a press release, General Motors said yesterday that the latest buy-back programme, to be conducted over a 12-month period, represented about 5 per cent of the company's outstanding shares. The programmes were aimed at boosting the investment value of the company's stock, it said.

In early trading yesterday General Motors shares fell $2 to $62½.

*AP-DJ, Detroit*

*Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com*

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LONDON FORFAITING ASIA LIMITED

August 1997

LONDON FORFAITING

BANCO FIBRA S.A.
(Incorporated with limited liability under the laws of the Federative Republic of Brazil)
U.S.$150,000,000 Euro-Medium Term Note Programme
Issue of U.S.$42,000,000 12 per cent. Notes due 1997
and
Issue of U.S.$28,000,000 12 per cent. Notes due 1997

Notice is hereby given pursuant to Condition 15 of the U.S.$42,000,000 12 per cent. Notes due 1997 and U.S.$28,000,000 12 per cent. Notes due 1997(together, the "Notes") of Banco Fibra S.A. (the "Issuer"), that the Issuer has agreed with West Merchant Bank Limited as arranger that, subject to satisfaction of certain conditions precedent, the Notes will be amended with effect from 11 August 1997 to extend their final maturity to 6 February 1998. At the same time a number of other modifications will be made to the Terms and Conditions of the Notes (the "Conditions").

All sums due in respect of the Notes on 11 August 1997 will be paid. Notes and relevant coupons must still be presented and surrendered to the Paying Bank (as defined in the Conditions) as a precondition for payment of such sums.

For further information, holders of Notes should contact WMB Capital Markets on +44 171 623 8711 at 33-36 Gracechurch Street, London EC3V 0AX by 5.00 p.m. (London time) on Thursday, 7 August 1997.

The date of this Notice is 5 August 1997.

The Financial Times plans to publish a Survey on
Bermuda
on Monday, November 3
For further information, please contact:
Maria McCoy
Tel: +44 171 873 4358
Fax: +44 171 873 3204
Penny Scott
Tel: +212 745 1346
Fax: +212 319 0704
or your usual Financial Times representative
FT Surveys

GOLD FIELDS COAL LIMITED

CAUTIONARY ANNOUNCEMENT

Shareholders' attention is drawn to an announcement by Gold Fields of South Africa Limited, published today, relating to a possible acquisition of the coal interests of JCI Limited.

Such acquisition could have an impact on GF Coal.

Shareholders are accordingly advised to exercise caution in any dealings in the shares of the company.

A further announcement will be published in due course.

Johannesburg 4 August 1997

Advisers to GF Coal
SCMB
Standard Corporate and Merchant Bank

GOLD FIELDS OF SOUTH AFRICA LIMITED

CAUTIONARY ANNOUNCEMENT

Following discussions over a number of weeks shareholders are advised that the company has submitted an offer to JCI Limited (JCI) to acquire JCI's coal interests.

Should this offer be accepted, it is likely to lead to a restructuring of coal interests within the Gold Fields Group.

Shareholders are accordingly advised to exercise caution in any dealings in the shares of the company.

A further announcement will be published in due course.

Johannesburg 4 August 1997

Advisers to the company
SCMB
Standard Corporate and Merchant Bank

[redacted]
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Group takes option to buy biotech company, Cambridge Combinatorial

# Oxford Molecular turns to drugs

By Roger Taylor

Oxford Molecular, the pharmaceutical software company run by Mr Tony Marchington, has taken an option to buy Cambridge Combinatorial, the biotechnology company recently set up by Mr Marchington's brother Alan.

Mr Tony Marchington said yesterday he was also close to establishing a third business involved in the rapid testing of new drugs.

The moves are intended to turn OM from a company which designs software into one which designs new drugs.

OM's information technology, together with Cambridge Combinatorial's chemistry and planned new screening facility, would give the company the skills needed to manage drug discovery programmes either as a service for other pharmaceutical groups or on its own account.

Cambridge Combinatorial was set up in February with a £2m ($3.3m) investment from OM in return for a 20 per cent stake.

Yesterday OM said it was investing a further £2m in return for non-voting preference shares and an option to buy the 78 per cent of the company owned by management for up to £23.4m.

The remaining 2 per cent is held by Cambridge University.

Mr Marchington made clear yesterday that he planned to exercise the option which expires at the end of 1998. He added that Cambridge Combinatorial was likely to move into profit this year and had four new contracts on the table.

Mr Marchington said would set up the screening business in the same way as Cambridge Combinatorial. OM would provide seed capital and would take an option to buy in the business once it had become profitable.

His comments came as OM announced a fall in pre-tax losses to £677,000 for the six months to June 30, compared with £950,000.

Analysts said the company is expected to move into profit this year. Sales rose 42 per cent to £6.17m (£4.35m) following several product launches in April, but profits were held back by a near-doubling in research expenditure to £2.2m.

The company ended the half year with net cash of about £21m after a rights issue in May. The shares closed up 3¼p at 248½p, compared with a rights issue price of 360p.

Fergus Wilde

Tony Marchington (l) and Andrew Maunder, then finance director, announce the 1994 float

# Few prizes at this quiz

**Raymond Snoddy** puts the questions to Pearson's Marjorie Scardino but is left asking for clues

Mrs Marjorie Scardino, chief executive of Pearson, the media and information group, chose the studios where the game show *Give Us A Clue* is shot to outline the group's pre-tax profits of £81m ($132m) for the first half of the year.

The profit figure was good, although in line with expectations. But what most journalists and analysts were looking for were more precise clues on what Pearson's future strategy will be, and whether Mrs Scardino intends to narrow the focus of the group. Its interests range from education and information to entertainment and merchant banking.

Mrs Scardino did not score highly on yesterday's long-term quiz game, although she did give a few very oblique clues, which will take time to decipher. She made it clear she had started to take some decisions on the future shape of the group, but as far as the outside world is concerned all options remain open.

The answers Mrs Scardino was prepared to give yesterday included setting what most analysts regarded as demanding goals: double digit earnings per share growth every year and a doubling of the value of the company during the next five years.

"We have the people and the franchises to achieve it, and our shareholders have reason to expect it," she said. "These are tough targets. We hope to sweat the businesses without causing them to go into cardiac arrest."

Mrs Scardino was explicit about how she is seeking to improve the performance of Pearson. New revenue opportunities will be sought in everything from the international expansion of the Financial Times, which increased its operating profits from £3.5m to £22.4m, to creative rights management.

Pearson did give a few more clues yesterday on its criteria for the businesses it wants to keep and develop, rather than sell. They should be distinctive franchises, which are difficult to replicate. They should already be first or second in their markets, or capable of becoming so.

It is clear, however, that Pearson is likely to sell one of its leading businesses to provide capital to develop others fully. Net debt was £559m on June 30, compared with shareholders' funds of £396.6m - after £1.94bn of goodwill write-offs.

Many believe that Tussauds is among the most likely to be sold, yet it is nothing if not a distinctive franchise. Pearson education is fourth in its market, but Mrs Scardino believes it is capable of being first. Television is a fast growth area; information is almost certainly at the heart of her plans for the future.

As Mrs Scardino disguises her disposal intentions by lavishly praising all her "charges", analysts are left to ask: "Give Us A Clue!".

# Shire Pharmaceuticals buys Richwood for £113m

By Roger Taylor

Shire Pharmaceuticals, the rapidly growing UK drugs company, has bought Richwood Pharmaceutical of the US for £113.3m ($185m) just five months after its £104.5m acquisition of Pharmavene, another US Company.

Richwood, a private company based in Florence, Kentucky, and owned by its management and a number of US institutional backers, has 73 sales representatives in the US and makes most of its profits from manufacturing and selling Adderall and Dextrostat, two amphetamine-based drugs used in the US to treat children with attention deficit disorder.

Mr Rolf Stahel, chief executive, said the acquisition was in line with his strategy of building a sales force in most of the leading world markets.

Unlike most other smaller biotechnology groups, Shire aims to be an integrated pharmaceutical company, with its own international marketing capability. The latest deal will mean a tripling in market capitalisation since floating last year.

Analysts welcomed the move, saying the addition of a US salesforce made strategic sense. But some questioned the decision to move into the controversial area of amphetamines.

Medeva, the UK pharmaceuticals company that has served as a model for Shire, recently saw its share price fall sharply after sales of an amphetamine-based slimming pill collapsed as a result of health concerns. Revenues from Adderall and Dextrostat accounted for 83 per cent of Richwood's $15.3m turnover last year.

Sales have been rising sharply, with Adderall taking 5 per cent of the $457m market for attention deficit disorder treatments, since it became available 15 months ago.

Profits are forecast to rise from $1.7m last year to $17m this year and the company has guaranteed that first half profits will not be less than $7.5m.

Analysts said Shire was paying a high but not excessive price at just over 10 times forecast profits for 1997. Some $145.8m of the $185.7m price will be paid with the issue of 37.8m new shares or one-third of the company's enlarged share capital. A further $15m will be paid in cash.

Shire also announced it would seek a US listing next year through an American Depository Receipt facility, which might be accompanied by a small fund raising.

ERAMET GROUP

Shareholders' General Assembly of July 31, 1997

The Shareholders' General Meeting of Eramet was held on July 31, 1997 under the Chairmanship of Mr Yves Rambaud. The Meeting approved the accounts for the year 1996 and the distribution of a net dividend of FRF 6.60 per share, i.e. FRF 9.90 per share including fiscal credit, which will be paid on August 8, 1997.

The Meeting approved the modifications of the Company bylaws required to put them in conformity with the requirements of the law on the democratization of the public sector : pursuant to this law, three directors were elected by the employees on June 26, 1997 : Mrs Liliane Florès, Mr Gérard Mandard, Mr Roland Schneider.

The applications of Messrs. Paul Néaoutyne and Gaël Yanno having not been maintained, the Meeting approved the appointment as Directors for a period of five years of Mssrs. Olivier Appert, Rémy Chardon, Henri Guillaume, Eric Giuily, François Jouven, Aimery Langlois-Meurinne, Yves le Bars, Jean-Daniel Levi, George T.Lowy, Stig Ramel, Yves Rambaud, Philippe Rouvillois, Gilbert Rutman, Wilhelm Scheider and ERAP represented by Mr Yves Bernard.

The Meeting sharing certain of the concerns expressed by some shareholders, approved various resolutions concerning in particular the composition of the Board of directors and its functionning, in accordance with the principles of corporate governance.

The Meeting also approved the issue of convertible bonds reserved to Gengabon which finances the acquisition by Eramet of a further 15% of Comilog, of which Eramet owns from now on 61% of the share capital.

During its address to the Shareholders, concerning the situation of the Group in the 1st half of 1997, the Chairman said : « The situation on our three markets improved by comparison with the low point in the 2nd half of 1996, but without a return to conditions comparable to the ones noted in the 1st half of 1996. In the 1st half, the 46% holding in Comilog will still be equity accounted. On this basis the Group's net result will be higher than in the second half of 1996, and it should be at least equal to the one recorded for the 1st half of 1996 (but which did not take Comilog into account) ».

He also said that he does not anticipate major changes on the Group's main markets in the 2nd half of 1997 and that the recent decline in the nickel price could be offset, at least partly, by the rise in the dollar's value.

Finally, the Chairman, while reminding that there are still important issues in New Caledonia and that the Group operates on extremely cyclical markets, however underlined the cohesion of the Group and its remarkable ability to face up to tests. He closed his address by a message of confidence in the future : cautious but reasoned confidence.

During the Board Meeting which followed the Shareholder's General Meeting, Mr Yves Rambaud was unanimously reelected as Chairman and Chief Executive Officer of Eramet.

ERAMET

NICKEL - HIGH SPEED STEELS - MANGANESE

*For further information, contact : Alain Roy, Investor Relations (Eramet, Paris) 33. 1.45.38.42.02.- Internet : http://www.ft.com*

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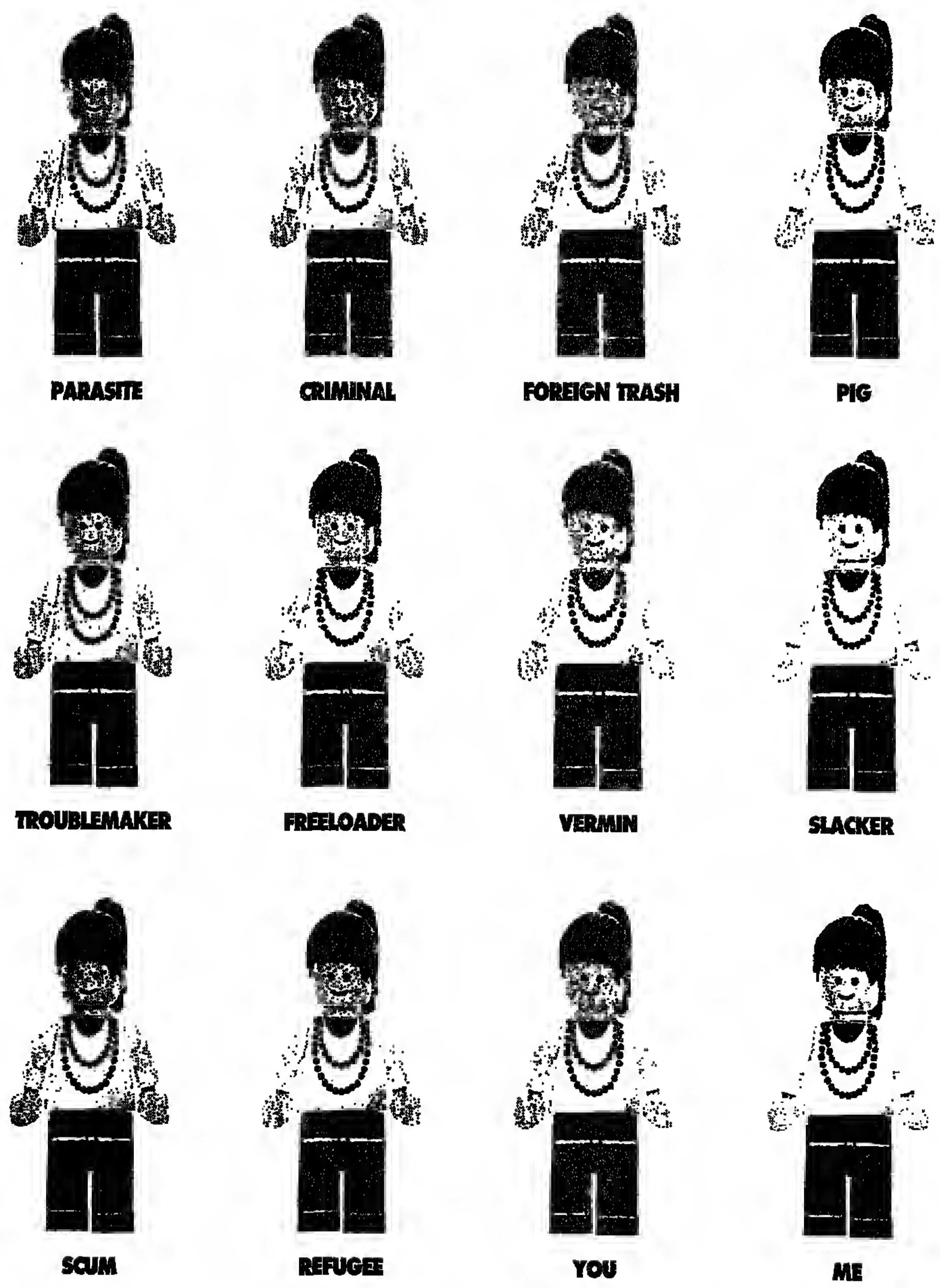


WHAT'S THE DIFFERENCE?

Nasty names. Shocking even, in print. But all too common if you're unlucky enough to be a refugee.

Wait. Why are "you" and "me" among them? And why is every figure identical? They're all the same!

*Exactly!*

You see, refugees *are* like you and me. So what's the difference?

Really only one: fear.

While our homes are safe and our rights protected, their homes have been destroyed, and any rights they once enjoyed have been swept away by violence and hatred—and they've been living in constant fear for their very lives.

That's why they are refugees. Of course they wish they were back home—wouldn't you? But it's still too dangerous, and for now we must continue to offer them our protection.

So please, don't get mad at refugees.

Instead, save your breath for the situation that's *made* them refugees.

UNHCR

United Nations High Commissioner for Refugees

## COMPANIES AND FINANCE: UK

# Knives are sharpened for the cull

**Jean Eaglesham** puts the investment trust industry in the psychiatrist's chair

A recent flurry of activity among investment trusts is causing great angst in this £50bn ($82bn) industry. "I've had to cancel my holiday twice. All it needs now is a takeover announcement and my wife will divorce me," said one broker last week.

Events that have shaken investors include a proposal to wind up the Fleming Far Eastern Investment Trust, which has a market capitalisation of £513m, and the vote by shareholders in the Murray European Investment Trust, capitalised at £30m, to oust manager Murray Johnstone in favour of rival Perpetual.

Investment trusts are ofteo thought of as a fairly quiet backwater of the stockmarket. During the heady days of 1993 and early 1994, when most trusts traded at premiums to their asset values, tbe main excitement was in forecasting how many millioos each new issue would bring in.

But now things look very different. Mercury Asset Management failed last month to raise its modest target of £20m for a new retirement investment trust.

The talk is of money leaving the sector, rather than coming in. "We are seeing the flip side of the hare-brained entbusiasm for trusts at asset value which we endured during at the eod of 1993," says Merrill Lyncb. "Becauee the upswing was accompanied witb so much enthusiastic fund raising, the downswing may be accompanied with more bloodletting than usual."

Certainly, the conditions look right for a cull. A sustained period of uoderperformance over the last two years, while both London and Wall Street have enjoyed roaring bull markets, has strained the patience of shareholders. At the same time, some firms of US arbitrageurs bave built up substantial stakes. The predators have been attracted by widening discounts to asset values – the average discount has more than doubled since the start of 1994 from 4 per cent to more than 11 per cent and is still rising.

However, analysts believe this does not necessarily herald a wave of trust takeovers or break-ups. "Each deal is difficult. You cannot just march in there with your big boots on and say 'I want my money back'. You have to understand the trust's capital structure, the attitudes of the other shareholders and the politics of it all," says Mr Hamish Buchan, of NatWest Securities.

He says last month's Fleming Far Eastern deal, which is likely to result in shareholders taking about £350m in cash, is not that hig relative to previous deals. Allowing for the increase in the value of money, he calculates it is only the 18th biggest outflow from the sector since 1960.

Nonetheless, he helieves "there may wall be more deals. The sector is definitely in a downbeat mood".

Others agree. "There are a goodly number of trusts on discounts in the mid to high teens, which we regard as the danger zone. When ratings on mainstream trusts without hlocking stakes hover in this area for too long, they tend to acquire the wrong sort of shareholder," warns Merrill Lynch.

This "wrong sort" comes in a number of guises. The first is a fellow, unfriendly, trust. Last year'a break-up of Kleinwort European Privatisation Investment Trust was triggered hy a hid from the Henderson-managed TR European Growth Trust. But bids from trusts will probahly remain fairly rare, simply because shareholders are likely to prefer cash to investment trust paper.

Instead, fund managers are keeping a nervous eye on the arhitrageur. Some US firms, such as Sierra Trading and Elliott Associates, have huilt up stakes of more than 10 per cent in some trusts. These firms are usually limited partnerships, run for rich US individuals, which specialise in making profits from discrepancies between company assets and prices.

Investment trusts look a happy hunting ground for the arbs, who tend to work behind the scenes putting pressure on trusts and managers. "Typically, the arbs would prefer to come to an agreement with a trust rather than have an open battle," says Mr Arthur Copple, at Merrill Lynch.

Sometimes, the arbs' presence can precipitate shareholder-friendly action. Flemings, for example, says its decision to wind up Fleming Far Eastern was made without any contact from Elliott Associates, which had taken a 12 per cent stake.

At least with the arbs, the fund managers know not to expect a friendly, supportive shareholder. But their real fear is that the hig UK institutions who control mnch of the industry will turn nasty.

Mr Colin McLean, who runs the predatory Scottish Value Trust, believes "the institutions have got the bit between their teeth. I think there will be a lot more activity".

But most observers believe investors will be loath to rock the cosy City of London boat. "An awful lot of people will not put their head above the parapet. It is down to politics," says Mr Bnchan.

This is illustrated by the attempt to launch two UK vulture funds, designed to pick off ailing trusts. SBC Warburg, one of tha most prominent participants in the market, provisionally agreed to sponsor Marshall Securities' planned launch of the Paragon trusts. However, once word got round that it was involved in the deal a number of trust mangers are said to have had a quiet word. In June, Warhurg announced that it had "decided not to proceed". The vultures are now seeking some other firm to help them fly.

The industry's defenders believe it is time to start fighting back. Mr Michael Hart, the Foreign & Colonial stalwart who takes over the chairmanship of the Association of Investment Trust Companies at the end of this year, says: "Investment trusts offer excellent value. It is said that they are the best kept secret in the City. They must start shouting from the rooftops."

**In a downbeat mood**


## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| British Airways | 3 mths to June 30 | 2,218 | (2,103 ) | 220♥ | (150 ) | 16.3† | (11.9 ) | - | - | - | - | 15.05 |
| Filtronic Comtek | Yr to May 31 | 46.6 | (33.4 ) | 4.06 | (3.25 ) | 8.52 | (5.59 ) | 1 | Nov 3 | 0.25 | 1.25 | 1 |
| HSBC | 6 mths to June 30 | - | (- ) | 2,623♥ | (2,321♥) | 65.93 | (60.14 ) | 20 | Oct 8 | 15 | - | 41 |
| McKay Securities | Yr to Mar 31 | 10.4 | (9.26 ) | 4.16 | (2.84 ) | 13.1 | (8.7 ) | 4 | Oct 7 | 3.4 | 6.3 | 5.5 |
| New London Capital | Yr to Mar 31 ★ | 141.4□ | (163.9□) | 6.53 | (3.85 ) | 6.8 | (4.64 ) | 5 | Oct 3 | 2 | 6 | 3 |
| Oxford Molecular | 6 mths to June 30 | 6.17 | (4.35 ) | 0.677L | (0.95L ) | 1.1L† | (1.7L ) | - | - | - | - | - |
| Pearson | 6 mths to June 30 | 957.6 | (939.6 ) | 80.7♥ | (30.2♠ ) | 11.1† | (2.8 ) | 7.5 | Oct 31 | 6.9 | - | 16 |
| Zotefoams | 6 mths to June 30 | 12.1 | (10.3 ) | 4.03 | (3.05 ) | 7.6 | (5.6 ) | 2.2 | Sept 16 | 2 | - | 6 |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mid Wynd Intl | Yr to June 30 | 542.5 | (490.7 ) | 0.426 | (0.388 ) | 8.47 | (7.71 ) | 4.5 | Oct 6 | 4.1 | 7.5 | 6.85 |

Earnings shown basic. Dividends shown nat. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. □Gross premiums written.

# Sedgwick confirms Italian venture

Sedgwick Group, the UK's biggest insurance hroker, yesterday confirmed a £50m ($82m) joint venture with Italy's leading hroker, Nikols Brichetto, writes Charls Gresser.

Sedgwick said the venture, which would merge some of its risk services, insurance and reinsurance broking with those of Nikols', would enhance 1998 earnings. Sedgwick's shares closed down 1¼p at 118¾p.

Nikols, a unit of the Securfin group, will own 51 per cent, of the new entity, which will he the largest broker in the Italian market.

Sedgwick will own 49 per cent of the equity, bnt its directors will have a majority of voting rights on the merged board. Nikols chairman, Mrs Letizia Moratti, will serve as executive chairman of Nikols Sedgwick and will join the Sedgwick Group board.

Nikols is contributing husinesses with £39.2m worth of fees and brokerage in 1996, while Sedgwick's contribution is £12.4m in 1996 fees and brokerage, plus a balancing payment of £10m on completion.

Sedgwick said the deal would create an "important broking and consulting force in southern Europe and Latin America". Mr Sax Riley, Sedgwick's chairman, added: "The joint venture will lead to an increased flow of of business to our London market operations."

## BUSINESSES FOR SALE


Bank of America

IRO INDUSTRIAL RECONSTRUCTION ORGANIZATION S.A.

ETEBA

### INVITATION TO SUBMIT BINDING OFFERS FOR THE ACQUISITION OF THE SHARES OF MEL S.A.

On the basis of Article 6, para. 1 (b) of L. 2000/91 it is announced that the company MEL, MACEDONIAN PAPERMILLS SA ("MEL" or the "Company") is offered for sale. The procedure to be followed is that of an international Public Tender Offering under the following terms and conditions:

a. THE OBJECT OF THE SALE
The transaction refers to the sale of 11,836,019 nominal voting shares representing 99.99% of the Company's total common voting shares. The shareholders wishing to transfer their holdings are the INDUSTRIAL RECONSTRUCTION ORGANIZATION (I.R.O.) S.A., which holds 8,588,065 shares and the National Bank of Greece S.A. (NBG), with 3,247,954 shares. The offers to be submitted by interested parties must refer to the total amount of shares for offered sale.

b. SUMMARY INFORMATION
MEL was establisted in 1964, and engages in the production of coated and noncoated solid board of varius weights and qualities. The Company's client base consists of small and large scale sheet plants. It's self owned production facilities are situated 22 klm outside the town of Thessaloniki (in Northern Greece). MEL is the largest Greek producer of its kind and controls an estimated 20% of the domestic market in its products. Furthermore, the Company owns significant real estate assets, unrelated to its main productive activity. The Company currently employs 186 people. The following table presents key financial information for the past five years (amounts in mill. drs.):

| | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|
| Turnover | 2,909 | 2,602 | 3,598 | 5,085 | 4,436 |
| Pre-tax results | -25 | -64 | 38 | 330 | 9 |
| Total Assets | 4,654 | 5,211 | 5,163 | 5,604 | 6,406 |
| Total own capital | 3,036 | 2,965 | 3,003 | 3,296 | 3,713 |

c. FINANCIAL ADVISOR TO THE IRO FOR THE SALE
The role of Financial Advisor to the IRO for the sale is assigned jointly to the BANK OF AMERICA NT & S.A. (39 Panepistimiou Str. 105 64 Athens, Tel: 3285227, Fax: 3241936, Responsible: Mr. Y. Bravos) and ETEBA S.A. (12-14 Amalias Ave. 102 36 Athens, Tel. 3296470 Fax: 3296323, Responsible: Mr. G. Koutsoudakis).

d. TERMS AND CONDITIONS FOR SUBMITTING BINDING OFFERS

1. The present tender will take place in accordance with the provisions of Article 6, para. 1 (b) of L. 2000/91 as enforced today, the terms included in this invitation as well as in accordance with the terms provided for in the relative "Offering Procedures Letter", which will be made available to the interested parties from the Advisors' premises, regardless of whether such terms are repeated or not herein. Submission of an offer implies the acceptance without any reservations of these terms by the bidder. Reservations or proposals of different terms and conditions will be disregarded.

2. Interested parties are invited to submit sealed binding offers at the premises of the Notary Public Mrs Paraskevi Iliopoulou,15 Mavromihali St Athens 106 79, Tel: (301) 3604268, not later than 13:00 hours on Friday, October 10, 1997. The submission of the offers must be made in person or through a duly authorized for that purpose representative. Overdue offers will not be accepted and will not be taken into consideration.

3. All offers must be accompanied, on the penalty of nullity of the offer, by a Letter of Guarantee to the amount of two hundred and fifty million drs. (250,000,000 drs.) issued by a Bank legally operating in Greece, valid, in the case of low bidders until the awarding of the sale of the Company to the successful bidder and in the case of the highest bidder until the signing of the Share Purchase Agreement and in any case expiring not later than February 15, 1998. The text of the Letter of Guarantee is set forth in the "Offering Procedures Letter".

4. The unsealing of the offers submitted will take place in the premises of the abovementioned Notary at 14:00 hours on Friday, October 10, 1997 and can be attended by all those who have submitted a timely offer.

5. The offers must be submitted on the basis of a final Draft Share Purchase Agreement as it will be finalised after the receipt and possible incorporation into it of any remarks by interested parties, and which will be handed to the latter by September 26, 1997 at the latest. Interested parties will have at their disposal adequate time to review and audit the Company and form their own view on its condition. The submission of an offer implies that the interested party is fully aware of the true end legal position of the Company and no additional terms will be accepted over and above those included in the final Draft Share Purchase Agreement.

6. Offers must explicitly mention the total price offered as well as the way and time (in case of instalments) of payment. A credit for the price is acceptable provided that at least 25% of the total amount offered is paid in cash upon the signing of the Share Purchase Agreement, while the rest will be payable in semi-annual or annual instalments, the first not later than a year from the signing of the Share Purchase Agreement and upon the condition that it is secured with satisfactory guarantees most preferably than by a Letter of Guarantee issued by a Bank legally operating in Greece.

7. The submitted offers must be accompanied by a Business Plan for the Company in which the interested parties must undertake a firm commitment as to the amount of investments to be realized as well as the anticipated number and time duration of job positions assured. Both these issues will be the object of contractual commitments by the buyer.

8. The criteria for the evaluation of the offers are (a) the price offered (b) the annual number of assured job positions and (c) the amount of annual investment outlays to be realized. The evaluation system and the contribution of each of the above criteria to the final aggregate grade of each submitted offer will be made known to the interested parties, together with the "Offering Procedure Letter", available from August 8, 1997. The "Offering Procedures Letter" will also include the Initial Draft Share Purchase Agreement upon which the interested parties can make comments, to be submitted to the Advisors until September 10, 1997 at the latest.

9. In case an offer provides for payment of the price on credit, its evaluation will take into account its present value, calculated by means of a fixed discount rate over the whole payment period which will equal the interest rate carried by the latest annual issue of Greek State Treasury Bills issued prior to the deadline for the submission of binding offers.

10. The buyer must accept penalty clauses for all issues in his offer related to the evaluation criteria with respect to the amount of investments to be realized and the number of job positions to be assured. The amount and the calculation method of the penalties are determined in the "Offering Procedure Letter" referred to in para. 1 above.

11. The prevailing offer will be the one to obtain the highest grade according to the evaluation system as set out in para. 8 above.

12. In the event that the person or entity to whom transfer of the Company shall be awarded breaches its obligation to appear at the place and the time to be determined by the pertinent invitation of the Sellers and to execute the respective Share Purchase Agreement on the terms set forth in this present, as well as on those included in such party's offer, as finally formulated, then the amount of the aforesaid guarantee (Letter of Guarantee) shall be forfeited for the behalf of the Sellers on a pro rata basis, as a penalty acknowledged and accepted to be fair and reasonable, the payment of which shall in no case mitigate any additional liability of the offering party arising on the basis of the law.

13. The sellers retain the right to declare the tender process abortive if the prevailing offer is not judged wholly satisfactory to them.

14. The sellers maintain the right to modify the terms of the present invitation, including the deadline for the submission of binding offers. If it is judged necessary, provided that the interested parties involved in the tender process are informed in writing and the publicity requirements provided for by Article 46a, para. 3 of L. 1892/90 are adhered to.

15. Those parties participating in the present tender process and submitting an offer do not acquire any right, claim or demands from the present invitation and their participation in the tender process, against the Sellers or the Advisors for any reason or cause whatsoever.

The present document has been drawn up in the Greek language and translated into English. In any case however the Greek text prevails. Requests for copies of this invitation, the "Offering Procedure Letter" and any other information must be addressed to the Advisors as follows:

BANK OF AMERICA NT & SA
Attn: Mr. Y. Bravos
39 Panepistimiou Str.
105 64 Athens
Tel: 3285227 Fax: 3241938

ETEBA S.A.
Attn: Mr. G. Koutsoudakis
14 Amalias Ave.
102 36 Athens
Tel.: 3296470 Fax: 3296393



## GOVERNMENT OF PAKISTAN PRIVATISATION COMMISSION

### HEAVY ELECTRICAL COMPLEX (HEC)

INVITATION FOR SUBMISSION OF

### "EXPRESSION OF INTEREST"

The Government of Pakistan invites Expressions of Interest from prospective investors for pre-qualification to participate in the privatisation process of **Heavy Electrical Complex.** The opportunity offers an ***instant access*** to Pakistan's **Heavy Electrical Industry** through a diversified product line which includes a market leader position in the manufacture of 132 KV and 66 KV transformers and equipment used in sub-stations and grid-stations of high voltage power supply systems. The electrical industry is a high growth industry in Pakistan which has shown excellent performance over the years and has always outperformed the market index for quoted companies.

HEC is a greenfield project which achieved full completion in June 1997. Located in Hattar Industrial Estate in the NWFP, HEC has excellent infrastructure facilities and access to skilled manpower. HEC is the only indigenous producer of high voltage transformers in Pakistan and has the potential to export its products. The unit has lean and professional staff and has tremendous potential to expand its product line.

**Expression Of Interest** for prequalification to participate in the privatisation process of **HEC**, along with **investor profile** in terms of ownership, net worth, business track record (audited accounts, staff strength, etc.), management's capabilities for operating similar industrial operations and a **nonrefundable processing fee of Rs. 100,000/- (Rupees One Hundred Thousand) or US Dollar equivalent** in the form of a bank draft (encashable in Islamabad) in favor of **"Privatisation Commission, Government of Pakistan"** should reach the office of the undersigned in a sealed envelope clearly marked "Expression of Interest for HEC" latest by **1500 hours, (PST), August 25, 1997.**

**Ahmad Waqar, Joint Secretary,**
**Privatisation Commission, Government of Pakistan,**
**EAC Buidling, 5-A, Constitution Avenue, Islamabad, Pakistan**
**Tel: (92-51) 9205146-7, 9215466 Fax: (92-51) 9203076, 9211692**



The Financial Times plans to publish a Survey on

## France

on Monday, November 3

For further information, please contact:
Lindsay Sheppard
Tel: +44 171 873 3225 Fax: +44 171 873 3204
or Paul Maravigiia
Tel: +33 1 53 76 82 51 Fax: +33 1 53 76 82 53
or your usual Financial Times representative

FT Surveys



**LIMECOURT VENTURES PLC**
the "hands on"
boutique corporate financiers and venture capitalists
who recently structured the financial re-organisation of:
**The Promotional Reprint Company Ltd**
have now successfully assisted in the sale of that company to
**C & B Publishing Plc**

هكذا من الأصل

[redacted]



All of these securities having been sold, this announcement appears as a matter of record only.

July 8, 1997

# US$7,795,456,858

# Eni

## 1,408,000,000 Shares

(nominal value Lit. 1,000 per Share)

**Joint Global Coordinators**

**Istituto Mobiliare Italiano** **Credit Suisse First Boston**

CREDIT SUISSE | FIRST BOSTON

These securities were offered in Italy, the United States and internationally.

**Italian Public Offering**
857,776,000 Shares

**Istituto Mobiliare Italiano**
**Banca Commerciale Italiana**
**Credito Italiano**
**Istituto Bancario San Paolo di Torino**

Banca di Roma S.p.A.
Gruppo Cassa di Risparmio di Roma
Banca Monte dei Paschi di Siena S.p.A.
Banca Nazionale del Lavoro S.p.A.
CARIPLO S.p.A.

**Italian Institutional Offering**
146,726,263 Shares

**Istituto Mobiliare Italiano**

Banca Commerciale Italiana
Credito Italiano
Istituto Bancario San Paolo di Torino
Banca di Roma S.p.A.
Gruppo Cassa di Risparmio di Roma
Banca Monte dei Paschi di Siena S.p.A.
Banca Nazionale del Lavoro S.p.A.
CARIPLO S.p.A.
C.I.MO. SIM S.p.A.
Giubergia Warburg SIM S.p.A.
RASFIN SIM S.p.A.
Albertini & C. SIM S.p.A.
Credit Suisse First Boston
Euromobiliare S.I.M. S.p.A.

**United States Offering**
183,407,667 Shares
in the form of
American Depositary Shares or Shares

**Credit Suisse First Boston** **Goldman, Sachs & Co.**

Lehman Brothers
Merrill Lynch & Co.
J.P. Morgan & Co.
Morgan Stanley Dean Witter
SBC Warburg Inc.
Istituto Mobiliare Italiano
Smith Barney Inc.
ABN AMRO Chicago Corporation
Alex. Brown & Sons
Incorporated
Deutsche Morgan Grenfell
Donaldson, Lufkin & Jenrette
Securities Corporation
Fahnestock & Co. Inc.
Petrie Parkman & Co.
RBC Dominion Securities Corporation
Schroder & Co. Inc.
Scotia Capital Markets (USA) Inc.

**United Kingdom and the Republic of Ireland**
122,271,660 Shares

**SBC Warburg**
A Division of Swiss Bank Corporation
**Credit Suisse First Boston**

ABN AMRO Rothschild
Goldman Sachs International
Istituto Mobiliare Italiano
Morgan Stanley Dean Witter
NatWest Securities Limited
Lehman Brothers
Schroders

**Rest of the World**
97,818,410 Shares

**Morgan Stanley Dean Witter**
**Credit Suisse First Boston**

ABN AMRO Rothschild
Deutsche Morgan Grenfell
Goldman Sachs International
Istituto Mobiliare Italiano
SBC Warburg
A Division of Swiss Bank Corporation
BBV Interactivos, S.V.B.
Creditanstalt Investment Bank
Daiwa Europe Limited
Paribas

## INTERNATIONAL CAPITAL MARKETS

# Europe drifts as US slide continues

MARKETS REPORT

By John Labate in New York and Robert Anderson in London

US Treasuries slid further yesterday after Friday's sharp fall, with trading in European bonds quiet as markets digested the US news.

With last week's downward trend continuing, the long bond yield edged nearer to 6.5 per cent.

At midday in New York, the benchmark 30-year bond had lost ½ at 101⅔, sending the yield up to 6.481 per cent. Shorter-term issuee also experienced price falls, with the yield on the two-year note rising to 5.908 per cent and the 10-year note at 6.222 per cent.

On Friday US financial markets had tumbled throughout the day, with a partial comeback in stocks by late afternoon triggered by inflationary concerns prompted by reports on manufacturing and employment. The 30-year bond price fell 2⅛ percentage points.

In a slow news day yesterday, an unexpected 1.1 per cent drop in construction spending in June was not enough to calm the markets.

"A lot of investors expect a little more downward pressure to come," said Mr Tom O'Connell, senior government trader at First Chicago Capital Markets.

He added that many traders had sold bonds and planned to replace them more cheaply later in the week during the Treasury's forthcoming auctions. The Treasury will auction $38bn in notes and bonds during the week in three-year, 10-year, and 30-year issues.

Markets in Europe drifted but slid further after the US opening. Analysts said, however, that volume was "virtually non-existent" and that traders rather than investors were moving the futures.

The **GERMAN BUND** September contract fell 32 basis points to 102.15 on continuing speculation over a rise in interest rates. Analysts said the Bundesbank may try to defend the D-Mark by switching to a variable-rate repo on August 13.

Mr Graham McDevitt, at Paribas, said the Bundesbank had "put itself between a rock and a hard place" by leaving the window open on rates to support the currency. The market was waiting for action and the D-Mark would not strengthen until that happened, be said. But Mr McDevitt added that be could not see the central bank raising rates in the short term, because of possible domestic repercussions.

In the **UK GILTS** market, the September future edged down ¼ point to 114⅔ on continuing speculation of a rise in interest rates at Thursday's meeting of the Bank of England's monetary policy committee.

Analysts said the market has already discounted two rate rises of 25 basis points by the end of the year, to add to the four such rises since May.

Industrial production figures out tomorrow are expected to show a 0.4 per cent rise month-on-month, or 1.2 per cent year-on-year. Bnt consumer credit and confidence were the guiding considerations for a rise in rates.

Other European markets followed the US lead, bnt were also hit by the speculation on German interest rates because of the potential impact on European monetary union.

**ITALIAN BTPs** continued to be suffer from disappointment at lack of progress in pension reform talks last week. The September bond future fell 55 basis points to 135.90.

The 10-year spread of BTPs over bunds widened from 101 to 104 basis points and has risen 21 points since July 24. Bear Stearns said the spread would head back towards 150 points in the next three to four months.

In **SPAIN**, a better than expected 0.1 per cent fall in producer prices in June helped support the short end of the yield curve. However, longer-term bonds fell in line with other European bond markets, steepening the yield curve. The September bond future fell 46 basis points to 116.85.

**FRENCH** bond futures closed down 44 basis points at 129.76 but off their lows in low trading volume. Bear Stearns said the French bond market was likely to track the performance of German bunds in the next few days, with the yield curve likely to follow its flattening trend.

# Liffe and DTB vie for supremacy

By Vincent Boland

Competition between Europe's two leading futures and options exchanges, in London and Frankfurt, is becoming increasingly intense, according to trading turnover statistics.

Trading on the London International Financial Futures Exchanga (Liffe) and the Deutscbe Terminbörse surged last month as investors speculated on short-term interest rates and placed bets on how "hard" the new European eingle currency will be, according to the latest turnover figures.

Liffe traded 18.37m contracts in July, a 40 per cent increase on a year earlier and the second highest monthly volume on record. Trading in the year to date, at 119.36m contracts, is 24 per cent up on the same period last year.

Trading on the DTB, meanwhile, hit a record level last month, with just over 11m contracts traded, a 22 per cent increase on the June level.

The DTB said its share of trading in the 10-year bund futures contract – where the competition between the two exchanges is most intense – rose to just over 2.9m contracts. The exchange claimed it had captured 43 per cent of that market, its biggest share to date.

Volume in the 10-year bund contract on Liffe was just over 3.8m contracts.

The figures come as both exchanges fight for dominance in Europe's derivatives market ahead of economic and monetary union in 1999.

The DTB last month unveiled plans to launch a series of equity option and stock market index products based on the continent's leading company shares, as well as a futures contract based on the 30-year German government bond and one on stock market volatility.

It also extended trading hours to coincide with those of Liffe. The DTB claims its electronic trading system is cheaper than the open outcry system used in London.

However, Mr Jack Wigglesworth, Liffe chairman, said turnover growth supported the exchange's recent decision to confirm that open outcry would remain its predominant trading platform for the foreseeable future.

Trading on Matif, the French futures and options exchange, declined sharply in July due to less volatility in interest rates and the start of the summer holiday period. The exchange said total volume in July was just over 4.9m contracts, a drop of 30 per cent, but added that total volume so far this year was up 5.5 per cent.

Matif last week announced a big overhaul of its market regulations in a bid to woo more business. The changes related mainly to the listing and delisting of securities, membership requirements and procedures, and the drafting of market regulations.

It also made technical changes to smooth the operations of the market, inclnding ending the practice whereby floor trading was automatically halted when a daily fluctnation limit was reached.

# GECC launches foray on seven-year sector

INTERNATIONAL BONDS

By Krishna Guha

A handful of niche iseues provided some activity in a quiet market yesterday, subdued by the holiday season and turmoil in US Treasuries.

Interest also focused on the secondary market progress of Friday's high yield offerings from Navigator Gas Transport and Sideco Americana.

GECC ventured into the seven-year market for the first time with a $300m issue priced to yield 17 basis points over five-year Treasuries – an estimated yield of 13 points over the Treasury yield curve.

ABN Amro, joint bookrunner with Paribas, said GECC bad opted to avoid congestion in the five-year market which was suffering from an "onslaught of supply".

However, the cost of adding two years maturity was a significantly higher spread. GECC's five-year debt trades at only six points over Treasuries.

ABN Amro, which ran the book for $500m seven-year Swedish paper earlier this year, is attempting to develop the niche market.

SASCO, a Lehman vehicle, issued $355m of Rule 144a debt backed by non-performing, sub-performing and performing commercial property debt in seven tranches. The issue, which bas an average life ranging from six months to two years, was 25 per cent placed in London.

**RABOBANK** of tbe Netherlands issued $100m of three-year currency-constrained debt to finance expansion in Brazil. Bear Stearns, Rabobank and ABN Amro were joint bookrunners.

The debt is issued by the AAA rated parent company, but payment of interest and capital is delayed if the Brazilian government prevents repayment of dollar-denominated debt. It is thus effectively subject to the Brazilian sovereign ceiling.

The bond was priced "in line with the sovereign to yield 150 basis points over Treasuries and "basically sold out" to specialist emerging market funds and high net worth intermediaries.

The lead managers said the credit was "a little better" than Brazil since, in the event of "something joing wrong," investors "might get a more sympathetic hearing" from a bank with a strong retail reputation. Investors said this could he wishful thinking.

**COMERICA BANK**, the main regional bank in Michigan, launched its first D-Mark denominated bond issue, DM200m of floating-rate notes. The coupon was set at 6.25 basis points over three-month DM Libor, for an all-in cost of 9.4 basis points over Libor.

Lehman Brothers, which had the book, said Comerica was trying to develop a "new investor base". The issue was largely pre-placed with German and Luxembourg banks, and sold out within an hour of launch.

The **WORLD BANK** issued R150m of step-down bonds, paying a coupon of 15.75 per cent in year one, dropping to 13.75 per cent in year two and 13 per cent thereafter. ABN Amro had the book.

The issue was almost exclusively sold to Italian retail investors searching for high income securities to fill the role traditionally served by domestic paper.

The **CITY OF AUBAGNE** became the first French municipality to launch a bond since 1993, a FFr110m 2003 offering guaranteed by MBIA Assurance. CDC Marches ran the book. The bond, priced to yield 23 basis points over benchmark government bonds, is the first from a small French town.

In the secondary market, **NAVIGATOR GAS TRANSPORT**'s high-yield two-tranche $304m 10-year offering, issued on Friday, tightened in the face of weak Treasuries – proving there is still appetite for debt priced at "junk bond" levels.

The spread on the $217m first priority tranche narrowed from 448 to 400 basis points, while the second priority tranche, which includes warrants, narrowed from 598 to 560 points over Treasuries.

Credit Suisse First Boston, which ran the book, said insurance companies had bought the first issue, and mutual funds the second.

### New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Sasco 1997-N1(a)‡* | 355.053 | - | - | Sep 2028 | - | - | Lehman Brothers Intl |
| GECC | 300 | 6.25 | 99.50R | Aug 2004 | 0.30R | +17(6%Jul02) | ABN Amro HG/Paribas |
| Banco de Galicia | 100 | 7.875 | 99.77R | Aug 2002 | 0.375R | +166(6Jul02) | SBC Warburg |
| Rabobank Nederland(b)* | 100 | 7.50 | 99.568R | Aug 2000 | 0.40R | +150(6⅞%-00) | ABN Amro/Bear Stearns |
| **D-MARKS** | | | | | | | |
| Comerica Bank‡ | 200 | (c) | 100.06 | Aug 2002 | 0.20 | - | Lehman Bros Bankhaus |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Seven-tranche structured securitisation. b) Linked to Brazilian currency constraints. c) 3-mth Libor +6¼bp

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 10.000 | 10/07 | 0.0000 | - | 0.00 | 6.55 | 7.02 |
| Austria | | 5.625 | 07/07 | 99.3400 | -0.440 | 5.71 | 5.61 | 5.84 |
| Belgium | | 6.250 | 03/07 | 103.6400 | -0.430 | 5.74 | 5.65 | 5.77 |
| Canada ' | | 7.250 | 06/07 | 109.4400 | -0.740 | 5.96 | 5.94 | 6.13 |
| Denmark | | 7.000 | 06/07 | 105.9800 | -0.690 | 6.19 | 6.06 | 6.43 |
| France | BTAN | 4.750 | 03/02 | 100.0139 | -0.200 | 4.74 | 4.65 | 4.56 |
| | OAT | 5.500 | 10/07 | 99.4700 | -0.370 | 5.57 | 5.46 | 5.59 |
| Germany Bund | | 6.000 | 07/07 | 102.6000 | -0.260 | 5.65 | 5.56 | 5.69 |
| Ireland | | 6.000 | 08/06 | 0.0000 | - | 0.00 | 6.34 | 6.51 |
| Italy | | 6.750 | 02/07 | 101.0400 | -0.580 | 6.60† | 6.38 | 6.69 |
| Japan | No 148 | 5.600 | 06/02 | 116.7277 | -0.090 | 1.40 | 1.48 | 1.78 |
| | No 182 | 3.000 | 09/05 | 106.5693 | -0.080 | 2.12 | 2.16 | 2.48 |
| Netherlands | | 5.750 | 02/07 | 101.1200 | -0.340 | 5.58 | 5.49 | 5.56 |
| Portugal | | 9.500 | 02/06 | 121.6000 | +0.480 | 6.16 | 6.14 | 6.25 |
| Spain | | 7.350 | 03/07 | 107.3800 | -0.500 | 6.29 | 6.18 | 6.31 |
| Sweden | | 6.000 | 08/07 | 110.6338 | -0.390 | 6.52 | 6.44 | 6.66 |
| UK Gilts | | 7.000 | 06/02 | 99-20 | -5/32 | 7.09 | 7.04 | 7.05 |
| | | 7.250 | 12/07 | 101-15 | -7/32 | 7.05 | 6.96 | 7.09 |
| | | 8.000 | 10/08 | 114-24 | -7/32 | 7.07 | 7.01 | 7.14 |
| US Treasury ' | | 6.625 | 05/07 | 102-26 | -15/32 | 6.23 | 6.16 | 6.42 |
| | | 6.625 | 02/27 | 101-27 | -26/32 | 6.48 | 6.43 | 6.71 |
| ECU (French Govt) | | 5.500 | 04/07 | 97.2600 | +0.020 | 5.87 | 5.61 | 5.66 |

London closing, 'New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | - | Two year | 5.93 |
| Prime rate | 8½ | Two month | - | Three year | 6.01 |
| Broker loan rate | 7¾ | Three month | 5.29 | Five year | 6.12 |
| Fed.funds | 5⅝ | Six month | 5.40 | 10-year | 6.23 |
| Fed.funds at intervention | - | One year | 5.52 | 30-year | 6.48 |

### BOND FUTURES AND OPTIONS

#### France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 129.98 | 129.76 | -0.44 | 130.18 | 129.68 | 114,325 | 186,917 |
| Dec | 98.92 | 98.70 | -0.42 | 99.10 | 98.72 | 2,646 | 9,839 |
| Mar | 98.32 | 98.10 | -0.42 | 98.32 | 98.32 | 2 | - |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | CALLS Aug | CALLS Sep | CALLS Dec | PUTS Aug | PUTS Sep | PUTS Dec |
|---|---|---|---|---|---|---|
| 127 | 3.24 | - | - | 0.04 | - | - |
| 128 | 2.29 | - | - | 0.10 | - | - |
| 129 | 1.45 | - | - | 0.25 | - | - |
| 130 | 0.74 | - | - | 0.54 | - | - |
| 131 | 0.29 | - | - | 1.09 | - | - |

Est. vol. total, Calls 10,900 Puts 16,375. Previous day's open int., Calls 77,586 Puts 95,916.

#### Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 102.34 | 102.15 | -0.32 | 102.44 | 102.02 | 175779 | 268566 |
| Dec | 101.58 | 101.33 | -0.32 | 101.58 | 101.32 | 558 | 13043 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | CALLS Sep | CALLS Oct | CALLS Nov | CALLS Dec | PUTS Sep | PUTS Oct | PUTS Nov | PUTS Dec |
|---|---|---|---|---|---|---|---|---|
| 10200 | 0.57 | 0.49 | 0.69 | 0.86 | 0.42 | 1.15 | 1.36 | 1.53 |
| 10250 | 0.32 | 0.32 | 0.51 | 0.66 | 0.67 | 1.49 | 1.68 | 1.83 |
| 10300 | 0.15 | 0.20 | 0.36 | 0.50 | 1.00 | 1.87 | 2.03 | 2.17 |

Est. vol. total, Calls 14776 Puts 26975. Previous day's open int., Calls 164925 Puts 231039

#### Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 136.38 | 135.90 | -0.56 | 136.42 | 135.53 | 65384 | 105313 |
| Dec | 107.68 | 108.08 | -0.40 | 107.95 | 107.86 | 143 | 3270 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | CALLS Sep | CALLS Dec | PUTS Sep | PUTS Dec |
|---|---|---|---|---|
| 8000 | | 28.06 | | 0 |
| 8050 | | 27.56 | | 0 |
| 8100 | | 27.06 | | 0 |

Est. vol. total, Calls 5487 Puts 3000. Previous day's open int., Calls 98451 Puts 128414

#### Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 117.15 | 116.85 | -0.35 | 117.15 | 116.60 | 67,168 | 80,496 |
| Dec | - | 100.91 | -0.31 | - | - | 83 | 662 |

#### UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 114-24 | 114-21 | -0-06 | 114-28 | 114-17 | 51096 | 179322 |
| Dec | 114-09 | 114-09 | -0-06 | 114-08 | 114-07 | 232 | 9107 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | CALLS Sep | CALLS Oct | CALLS Nov | CALLS Dec | PUTS Sep | PUTS Oct | PUTS Nov | PUTS Dec |
|---|---|---|---|---|---|---|---|---|
| 114 | 1-01 | 1-17 | 1-38 | 1-51 | 0-23 | 0-63 | 1-18 | 1-33 |
| 115 | 0-30 | 0-43 | 1-06 | 1-16 | 0-52 | 1-31 | 1-52 | 2-01 |
| 116 | 0-11 | 0-27 | 0-45 | 0-56 | 1-33 | 2-09 | 2-28 | 2-40 |

Est. vol. total, Calls 3353 Puts 1580. Previous day's open int., Calls 44829 Puts 37763

#### Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 97.20 | 96.80 | -0.42 | 97.22 | 96.80 | 1,165 | 7,539 |

#### US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 114-27 | 114-18 | -0-10 | 115-02 | 114-15 | 586,371 | 525,622 |
| Dec | 114-16 | 114-04 | -0-11 | 114-20 | 114-04 | 6,532 | 44,929 |
| Mar | 113-31 | 113-31 | -0-06 | 113-31 | 113-31 | 7,973 | 32,089 |

#### Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 126.47 | - | - | 126.53 | 126.42 | 2280 | n/a |
| Dec | 125.89 | - | - | 125.89 | 125.89 | 200 | n/a |

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

### FTSE Actuaries Govt. Securities — UK Indices

| Price indices UK Gilts | Mon Aug 4 | Day's change % | Fri Aug 1 | Accrued interest | xd adj. ytd | | Low coupon yield Aug 4 | Aug 1 | Yr. ago | Medium coupon yield Aug 4 | Aug 1 | Yr. ago | High coupon yield Aug 4 | Aug 1 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (20) | 119.58 | -0.07 | 119.65 | 2.38 | 6.38 | 5 yrs | 7.07 | 7.04 | 7.24 | 7.16 | 7.12 | 7.30 | 7.21 | 7.17 | 7.39 |
| 2 5-15 years (20) | 152.55 | -0.18 | 152.83 | 2.50 | 7.01 | 15 yrs | 7.04 | 7.01 | 8.08 | 7.05 | 7.02 | 8.08 | 7.16 | 7.15 | 8.16 |
| 3 Over 15 years (6) | 183.19 | -0.30 | 183.74 | 6.63 | 5.80 | 20 yrs | 7.04 | 7.01 | 8.16 | 7.00 | 6.97 | 8.16 | 7.15 | 7.12 | 8.24 |
| 4 Irredeemables (5) | 213.16 | -0.44 | 214.09 | 2.57 | 8.36 | Irred.† | 7.08 | 7.06 | 8.27 | | | | | | |
| 5 All stocks (51) | 147.33 | -0.17 | 147.59 | 3.23 | 6.70 | | | | | | | | | | |

| Index-linked | | | | | | | Inflation 5% Aug 4 | Aug 1 | Yr. ago | Inflation 10% Aug 4 | Aug 1 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 206.02 | -0.07 | 206.16 | 2.09 | 3.03 | Up to 5 yrs | 3.72 | 3.69 | 2.56 | 3.05 | 3.02 | 0.98 |
| 7 Over 5 years (10) | 199.94 | -0.31 | 200.58 | 1.30 | 3.96 | Over 5 yrs | 3.57 | 3.55 | 3.76 | 3.37 | 3.34 | 3.55 |
| 8 All stocks (12) | 199.50 | -0.29 | 200.08 | 1.37 | 3.85 | | | | | | | |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT Fixed Interest Indices

| | Aug 4 | Aug 1 | Jul 31 | Jul 30 | Jul 29 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 97.01 | 97.26 | 97.63 | 97.68 | 97.56 | 93.25 | 97.88 | 93.31 |
| Fixed Interest | 125.90 | 126.30 | 126.60 | 126.58 | 126.14 | 113.19 | 126.68 | 115.32 |

### Gilt Edged Activity Indices

| | Aug 1 | Jul 31 | Jul 30 | Jul 29 | Jul 28 |
|---|---|---|---|---|---|
| Gilt Edged bargains | NA | NA | NA | NA | NA |
| 5-day average | NA | NA | NA | NA | NA |

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## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 4

| | Issued | Bid | Offer | Chg | Yield |
|---|---|---|---|---|---|
| **U.S. DOLLAR STRAIGHTS** | | | | | |
| Abbey Natl Treasury 6½ 03 | 1000 | 100⅛ | 100⅝ | -½ | 6.41 |
| ABN Amro Bank 7¼ 05 | 1000 | 105 | 105⅛ | -½ | 6.86 |
| Spain 7¼ 03 | 4000 | 110¼ | 110⅜ | -⅛ | 5.09 |
| Volkswagen Intl Fin 7 00 | 1000 | 108 | 108⅛ | -⅛ | 5.38 |
| World Bank 5⅞ 05 | 3000 | 104 | 104⅛ | -⅛ | 5.11 |
| Abbey Natl Treasury 6 00 £ | 1000 | 101¾ | 102 | -¼ | 7.58 |
| British Land 8⅞ 23 £ | 150 | 107⅝ | 108 | -½ | 8.33 |
| Denmark 8¾ 98 £ | 800 | 99¼ | 99⅜ | | 7.58 |
| [illegible] | | | | | |

## UK GILTS PRICES

| | Notes | Yield Int | Yield Red | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|
| **Shorts" (Lives up to Five Years)** | | | | | | | |
| Treas Cnv 7pc 1997‡‡ | | 7.00 | - | 100xd | | 101⅛ | 100 |
| Treas 8¾pc 1997‡‡ | | 8.74 | 6.74 | 100⅛ | | 102⅛ | 100⅛ |
| Exch 15pc 1997 | | 14.74 | 6.68 | 101¾ | -⅛ | 110½ | 101¾ |
| Funding 3½pc 1999-4 | | 4.05 | 5.96 | 86⅛ | | | |
| Conv 9½pc 2004 | | 8.40 | 7.13 | 113⅛ | | | |
| Treas 6¾pc 2004‡‡ | | 6.88 | 7.08 | 98⅛ | | | |
| Conv 9½pc 2005 | | 8.35 | 7.13 | 113⅛ | | | |
| [illegible] | | | | | | | |

Other Fixed Interest

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## CURRENCIES AND MONEY

# Stronger US dollar weakens D-Mark

MARKETS REPORT

By Richard Adams

The US dollar yesterday climbed to its highest rate against the D-Mark since 1989, sparked by the contrast between the surging US economy and the recovering German economy.

The dollar gained almost a pfennig and a half at the expense of the German currency by the close of trading in the foreign exchange market in London.

On Friday afternoon the D-Mark closed at DM1.856 against the dollar, but yesterday the dollar rose to DM1.8730 for the first time since October 1989.

The dollar eventually settled down at DM1.864, as traders became nervous that the Bundesbank is likely to either raise interest rates or move to a floating securities repurchase rate at its next council meeting.

The D-Mark's weakness against the dollar did not hurt it on the European cross-rates. Against the pound it lost a little ground and closed at DM3.040, compared with last week's DM3.039.

Against the core European currencies likely to join European monetary union in the first round, the D-Mark was a fraction weaker against the French franc and the Belgian franc. But against the more peripheral Italian currency, the D-Mark strengthened by over two lira, closing at L978.8.

The Swiss franc also lost ground against the US dollar, with European selling taking the franc down by half a centime to SFr1.526.

In the emerging markets, light volumes left the Thai baht and the Malaysian ringgit stable as the markets digested the currency regime changes taking place in both countries. Against the US dollar the baht traded offshore at Bt31.50, while the ringgit was below M$2.63.

■ The Bundesbank's reaction to the D-Mark's weakness against the dollar is mesmerising the markets at the moment. The theory goes that it will not tolerate a weak D-Mark/dollar rate, and will reintroduce a floating repo rate to combat it.

But Ms Alison Cottrell, Paine Webber's Bundesbank watcher in London, thinks both actions are unlikely. Ms Cottrell said: "It's all in the eye of the beholder – a soft D-Mark against the dollar doesn't worry the Bundesbank. But it would be psychologically damaging if the D-Mark softened against the French franc or Belgian franc."

Ms Cottrell noted that the core European currencies have fallen against the dollar, making the issue one of dollar strength rather than D-Mark weakness.

"The Bundesbank's problem is not worrying about the dollar at DM1.87, but that everybody is worried that the Bundesbank is worried," she said.

But if the central bank was concerned, it would have been more aggressive in talking up the D-Mark. "If it is worried about things it doesn't suffer quietly," Ms Cottrell said.

■ One currency continuing to do well against the D-Mark is the Finnish markka, which was trading around FM2.98 yesterday.

With Finland currently enjoying strong growth, falling unemployment and negligible rates of inflation, the country is at a better point in its business cycle than the rest of the European core economies.

The scent of higher interest rates will help further boost the markka. Mr Brian Martin, currency analyst at BZW in London, said: "My feeling is that the markka is looking very cheap against the D-Mark."

Mr Martin thinks the markka's undervaluation is caused by worries over the Bundesbank's next move.

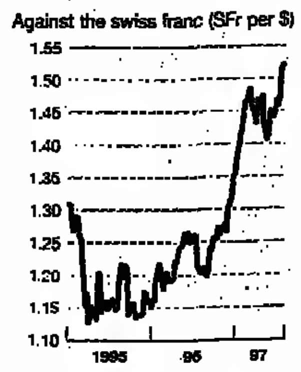
■ The market for the Thai baht awaited details of the Thai government's new currency regime and the IMF's rescue plan. Meanwhile in Malaysia, the government was proposing to impose currency controls to halt the ringgit's slide.

"We've got a situation where Malaysia is imposing controls at the same time as Thailand is thought to be dismantling a two-tier structure," said Mr David Simmonds, an emerging markets economist at Citibank.

"One country is going down the regulatory route which one has just been forced to abandon – it is quite strange," Mr Simmonds said.

**Dollar**

Against the swiss franc (SFr per $)




Source: Datastream/ICV

■ **Pound in New York**

| Aug 4 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.6310 | 1.6315 |
| 1 mth | 1.6290 | 1.6296 |
| 3 mth | 1.6251 | 1.6255 |
| 1 yr | 1.6085 | 1.6082 |

■ **OTHER CURRENCIES**

| Aug 4 | £ | $ |
|---|---|---|
| Czech Rp | 56.7365 - 56.8315 | 34.7930 - 34.8360 |
| Hungary | 323.830 - 324.110 | 198.620 - 198.670 |
| Iran | 4894.20 - 4891.20 | 3000.00 - 3000.00 |
| Kuwait | 0.4973 - 0.4977 | 0.3050 - 0.3051 |
| Poland | 5.6477 - 5.6577 | 3.4640 - 3.4680 |
| Russia | 9457.95 - 9465.38 | 5801.00 - 5802.00 |
| U.A.E. | 5.9881 - 5.9921 | 3.6728 - 3.6730 |

## POUND SPOT FORWARD AGAINST THE POUND

| Aug 4 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 21.3893 | +0.0024 | 794 - 992 | 21.4522 | 21.3191 | 21.3349 | 3.1 | 21.2222 | 3.1 | 20.7167 | 3.1 | 101.5 |
| Belgium | (BFr) | 62.7408 | -0.0267 | 889 - 926 | 62.9450 | 62.4030 | 62.5608 | 5.4 | 62.1908 | 3.5 | 60.4408 | 5.7 | 100.8 |
| Denmark | (DKr) | 11.5838 | +0.0009 | 786 - 890 | 11.6159 | 11.5522 | 11.5523 | 3.3 | 11.4883 | 3.3 | 11.1968 | 3.3 | 102.8 |
| Finland | (FM) | 9.0647 | +0.007 | 574 - 719 | 9.0990 | 9.0290 | 9.0394 | 3.4 | 8.9869 | 3.4 | 8.7742 | 3.2 | 80.5 |
| France | (FFr) | 10.2523 | +0.0052 | 479 - 568 | 10.2817 | 10.2224 | 10.2193 | 3.9 | 10.1623 | 3.5 | 9.8868 | 3.6 | 103.7 |
| Germany | (DM) | 3.0398 | +0.0004 | 384 - 411 | 3.0500 | 3.0308 | 3.0305 | 3.7 | 3.0114 | 3.7 | 2.9245 | 3.8 | 101.3 |
| Greece | (Dr) | 474.135 | +0.383 | 876 - 395 | 475.809 | 471.422 | 475.913 | -4.5 | 478.542 | -3.7 | 486.91 | -2.7 | 65.2 |
| Ireland | (I£) | 1.1288 | +0.0004 | 265 - 311 | 1.1320 | 1.1255 | 1.1283 | 0.5 | 1.1269 | 0.7 | 1.116 | 1.1 | 98.3 |
| Italy | (L) | 2975.35 | +7.47 | 389 - 701 | 2989.74 | 2959.85 | 2975.43 | 0.0 | 2975.39 | 0.0 | 2972.8 | 0.1 | 75.1 |
| Luxembourg | (LFr) | 62.7408 | -0.0267 | 889 - 926 | 62.9450 | 62.4030 | 62.5608 | 3.4 | 62.1908 | 3.5 | 60.4408 | 3.7 | 100.8 |
| Netherlands | (Fl) | 3.4237 | -0.0002 | 222 - 251 | 3.4388 | 3.4147 | 3.4135 | 3.6 | 3.3926 | 3.8 | 3.2966 | 3.7 | 100.0 |
| Norway | (NKr) | 12.5354 | -0.041 | 275 - 433 | 12.6158 | 12.5154 | 12.5029 | 3.1 | 12.4419 | 3.0 | 12.1729 | 2.9 | 95.8 |
| Portugal | (Es) | 307.604 | +0.298 | 461 - 747 | 308.284 | 305.814 | 307.448 | 0.6 | 306.918 | 0.9 | 302.83 | 1.6 | 91.6 |
| Spain | (Pta) | 256.687 | +0.169 | 576 - 799 | 257.290 | 255.780 | 256.372 | 1.5 | 255.622 | 1.7 | 251.252 | 2.1 | 76.1 |
| Sweden | (SKr) | 13.0994 | -0.0202 | 897 - 090 | 13.1526 | 13.0432 | 13.0719 | 2.5 | 13.0134 | 2.6 | 12.7569 | 2.6 | 85.3 |
| Switzerland | (SFr) | 2.4880 | -0.0011 | 864 - 895 | 2.4995 | 2.4838 | 2.4771 | 5.3 | 2.4545 | 5.4 | 2.3542 | 5.4 | 105.4 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 105.3 |
| Ecu | - | 1.5393 | -0.0004 | 383 - 402 | 1.5449 | 1.5356 | 1.536 | 2.8 | 1.5288 | 2.7 | 1.4948 | 2.9 | - |
| SDR† | - | 1.209572 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.6306 | -0.0056 | 301 - 311 | 1.6312 | 1.6247 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.7664 | -0.0066 | 657 - 670 | 1.7675 | 1.7607 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.2496 | -0.0109 | 485 - 507 | 2.2528 | 2.2440 | 2.2428 | 3.7 | 2.2291 | 3.6 | 2.1782 | 3.2 | 85.3 |
| Mexico | (New Peso) | 12.7757 | -0.0273 | 677 - 837 | 12.7870 | 12.7504 | - | - | - | - | - | - | - |
| USA | ($) | 1.6309 | -0.0061 | 304 - 314 | 1.6315 | 1.6255 | 1.629 | 1.4 | 1.6249 | 1.5 | 1.6063 | 1.5 | 105.3 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.2077 | -0.0043 | 062 - 091 | 2.2128 | 2.2004 | 2.2041 | 2.0 | 2.1957 | 2.2 | 2.1587 | 2.2 | 93.6 |
| Hong Kong | (HK$) | 12.6276 | -0.0475 | 229 - 323 | 12.6325 | 12.5867 | 12.6266 | 0.1 | 12.6201 | 0.2 | 12.5651 | 0.5 | - |
| India | (Rs) | 58.2819 | -0.29 | 575 - 062 | 58.3230 | 58.0950 | 58.4771 | -4.0 | 58.8777 | -4.1 | 60.5574 | -3.9 | - |
| Israel | (Shk) | 5.7705 | -0.0207 | 605 - 804 | 5.7845 | 5.7312 | - | - | - | - | - | - | - |
| Japan | (Y) | 192.797 | -0.459 | 681 - 913 | 193.700 | 192.390 | 191.777 | 6.3 | 189.752 | 6.3 | 180.767 | 6.2 | 132.1 |
| Malaysia | (M$) | 4.2901 | -0.0275 | 847 - 955 | 4.2962 | 4.2083 | 4.2943 | -1.2 | 4.3023 | -1.1 | 4.321 | -0.7 | - |
| New Zealand | (NZ$) | 2.5351 | -0.0066 | 329 - 372 | 2.5437 | 2.5256 | 2.5383 | -1.5 | 2.5421 | -1.1 | 2.5427 | -0.3 | 109.5 |
| Philippines | (Peso) | 47.6226 | -0.2188 | 925 - 526 | 48.4774 | 46.7641 | 47.7824 | -4.0 | 48.0319 | -3.4 | 49.0889 | -3.1 | - |
| Saudi Arabia | (SR) | 6.1169 | -0.0228 | 148 - 189 | 6.1195 | 6.0969 | 6.1134 | 0.7 | 6.105 | 0.8 | 6.0685 | 0.8 | - |
| Singapore | (S$) | 2.3926 | -0.0197 | 910 - 941 | 2.4037 | 2.3773 | 2.388 | 2.3 | 2.3779 | 2.5 | 2.3297 | 2.6 | - |
| South Africa | (R) | 7.5902 | +0.0051 | 854 - 950 | 7.5970 | 7.5522 | 7.6509 | -9.8 | 7.7688 | -9.4 | 8.2058 | -8.1 | - |
| South Korea | (Won) | 1449.87 | -6.24 | 619 - 356 | 1454.96 | 1445.23 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 46.7254 | -0.3556 | 479 - 028 | 46.9123 | 46.5352 | 46.7088 | 0.4 | 46.669 | 0.5 | 46.4714 | 0.5 | - |
| Thailand | (Bt) | 51.6998 | -0.6271 | 206 - 785 | 52.1200 | 51.3610 | 52.0362 | -7.8 | 52.4978 | -6.2 | 53.528 | -3.5 | - |

† Rates for Aug 1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Aug 4 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 13.1151 | +0.0504 | 130 - 171 | 13.1790 | 13.0900 | 13.0911 | 2.2 | 13.0421 | 2.2 | 12.8181 | 2.3 | 101.4 |
| Belgium | (BFr) | 38.4700 | +0.127 | 500 - 900 | 38.6600 | 38.2980 | 38.395 | 2.3 | 38.2435 | 2.4 | 37.55 | 2.4 | 101.1 |
| Denmark | (DKr) | 7.1027 | +0.027 | 017 - 037 | 7.1370 | 7.0972 | 7.091 | 2.0 | 7.0667 | 2.0 | 6.9603 | 2.0 | 102.5 |
| Finland | (FM) | 5.5581 | +0.025 | 553 - 608 | 5.5885 | 5.5375 | 5.5465 | 2.5 | 5.5229 | 2.5 | 5.4291 | 2.3 | 80.2 |
| France | (FFr) | 6.2863 | +0.0286 | 855 - 870 | 6.3137 | 6.2805 | 6.2748 | 2.2 | 6.2509 | 2.2 | 6.1421 | 2.3 | 102.9 |
| Germany | (DM) | 1.8639 | +0.0072 | 636 - 641 | 1.8730 | 1.8626 | 1.86 | 2.5 | 1.8522 | 2.5 | 1.8173 | 2.5 | 101.3 |
| Greece | (Dr) | 290.720 | +1.305 | 650 - 790 | 292.260 | 289.500 | 292.015 | -5.3 | 294.07 | -4.6 | 301.22 | -3.6 | 64.9 |
| Ireland | (I£) | 1.4448 | -0.006 | 423 - 473 | 1.4475 | 1.4410 | 1.4441 | 0.6 | 1.4431 | 0.5 | 1.4435 | 0.1 | - |
| Italy | (L) | 1824.36 | +11.36 | 390 - 482 | 1836.45 | 1817.70 | 1826.12 | -1.2 | 1829.13 | -1.0 | 1832.56 | -0.4 | 75.3 |
| Luxembourg | (LFr) | 38.4700 | +0.127 | 500 - 900 | 38.6600 | 38.2980 | 38.395 | 2.3 | 38.2435 | 2.4 | 37.55 | 2.4 | 101.1 |
| Netherlands | (Fl) | 2.0993 | +0.0077 | 990 - 995 | 2.1114 | 2.0935 | 2.0951 | 2.4 | 2.0865 | 2.4 | 2.0488 | 2.4 | 100.3 |
| Norway | (NKr) | 7.6862 | +0.0036 | 837 - 887 | 7.7890 | 7.6814 | 7.6718 | 2.3 | 7.6433 | 2.2 | 7.5318 | 2.0 | 94.9 |
| Portugal | (Es) | 188.610 | +0.885 | 580 - 640 | 189.370 | 187.800 | 188.574 | 0.2 | 188.52 | 0.2 | 187.35 | 0.7 | 92.5 |
| Spain | (Pta) | 157.390 | +0.69 | 370 - 410 | 158.050 | 157.160 | 157.345 | 0.3 | 157.17 | 0.6 | 155.995 | 0.9 | 75.7 |
| Sweden | (SKr) | 8.0320 | +0.0176 | 285 - 354 | 8.0764 | 8.0069 | 8.0229 | 1.4 | 8.0056 | 1.4 | 7.9296 | 1.3 | 84.6 |
| Switzerland | (SFr) | 1.5255 | +0.005 | 250 - 260 | 1.5356 | 1.5249 | 1.5202 | 4.2 | 1.5095 | 4.2 | 1.464 | 4.0 | 105.1 |
| UK | (£) | 1.6309 | -0.0061 | 304 - 314 | 1.6315 | 1.6255 | 1.629 | 1.4 | 1.6249 | 1.5 | 1.6063 | 1.5 | 104.3 |
| Ecu | - | 1.0596 | -0.0037 | 592 - 599 | 1.0604 | 1.0536 | 1.0611 | -1.6 | 1.0643 | -1.8 | 1.0798 | -1.9 | - |
| SDR† | - | 0.73808 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9998 | +0.0003 | 996 - 998 | 0.9996 | 0.9998 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.0831 | - | 830 - 831 | 1.0832 | 1.0829 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3794 | -0.0015 | 791 - 796 | 1.3815 | 1.3788 | 1.3762 | 2.7 | 1.3705 | 2.6 | 1.3489 | 2.1 | 85.0 |
| Mexico | (New Peso) | 7.8335 | +0.0125 | 310 - 360 | 7.8370 | 7.8300 | 7.942 | -16.6 | 8.153 | -16.3 | 9.0635 | -15.7 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 106.5 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3536 | +0.0023 | 532 - 541 | 1.3563 | 1.3530 | 1.353 | 0.5 | 1.3512 | 0.7 | 1.3428 | 0.8 | 95.8 |
| Hong Kong | (HK$) | 7.7427 | -0.0002 | 422 - 432 | 7.7440 | 7.7415 | 7.7432 | -0.1 | 7.7441 | -0.1 | 7.7464 | 0.0 | - |
| India | (Rs) | 35.7360 | -0.044 | 320 - 400 | 35.7700 | 35.7300 | 35.8735 | -4.6 | 36.1585 | -4.7 | 37.371 | -4.6 | - |
| Israel | (Shk) | 3.5382 | +0.0005 | 332 - 432 | 3.5560 | 3.5150 | - | - | - | - | - | - | - |
| Japan | (Y) | 118.215 | +0.18 | 180 - 250 | 118.800 | 118.160 | 117.7 | 5.2 | 116.7 | 5.1 | 112.4 | 4.9 | 132.6 |
| Malaysia | (M$) | 2.6305 | -0.007 | 280 - 330 | 2.6340 | 2.5810 | 2.635 | -2.1 | 2.644 | -2.1 | 2.674 | -1.7 | - |
| New Zealand | (NZ$) | 1.5544 | +0.0005 | 535 - 552 | 1.5591 | 1.5525 | 1.5552 | -0.6 | 1.5576 | -0.8 | 1.5677 | -0.9 | - |
| Philippines | (Peso) | 29.2000 | -0.025 | 000 - 000 | 29.7500 | 28.8500 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7508 | - | 505 - 507 | 3.7509 | 3.7503 | 3.7513 | -0.2 | 3.7523 | -0.2 | 3.7569 | -0.2 | - |
| Singapore | (S$) | 1.4670 | -0.0066 | 665 - 675 | 1.4685 | 1.4560 | 1.4653 | 1.4 | 1.4615 | 1.5 | 1.442 | 1.7 | - |
| South Africa | (R) | 4.6540 | +0.0205 | 525 - 555 | 4.6650 | 4.6355 | 4.6945 | -10.4 | 4.774 | -10.3 | 5.0765 | -9.1 | - |
| South Korea | (Won) | 889.000 | -0.5 | 000 - 000 | 891.300 | 888.500 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 28.6500 | -0.1105 | 500 - 500 | 28.7700 | 28.5490 | 28.661 | -0.5 | 28.67 | -0.3 | 28.7625 | -0.4 | - |
| Thailand | (Bt) | 31.7000 | -0.265 | 000 - 000 | 31.8500 | 31.5000 | 32.145 | -16.5 | 33.65 | -14.5 | 34.08 | -7.5 | - |

† SDR rate per $ for Aug 1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 1: Base average 1990=100
The exchange rates printed in this table are also available on the internet at http://www.FT.com

## WORLD INTEREST RATES

### MONEY RATES

| August 4 | Over night | One month | Three mths | Six mths | One year | Lomb inter | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 6.00 | 2.50 | - |
| France | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 3.10 | - | 4.75 |
| Germany | 3 | [illegible] | [illegible] | [illegible] | [illegible] | 4.50 | 2.50 | 3.00 |
| Ireland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | - | 6.75 |
| Italy | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 7.75 | 6.25 | 6.27 |
| Netherlands | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 2.50 | 2.90 |
| Switzerland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 1.00 | - |
| US | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 5.00 | - |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 0.50 | - |
| **■ $ LIBOR FT London** | | | | | | | | |
| Interbank Fixing | - | [illegible] | [illegible] | [illegible] | 6 | - | - | - |
| US Dollar CDs | - | 5.39 | 5.44 | 5.53 | 5.72 | - | - | - |
| ECU Linked Ds | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| SDR Linked Ds | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Aug 4 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Danish Krone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| German Mark | [illegible] - 3 | [illegible] - 3 | [illegible] | [illegible] | [illegible] | [illegible] |
| Dutch Guilder | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| French Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portuguese Esc. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling | [illegible] | [illegible] | 7 - [illegible] | [illegible] | [illegible] | [illegible] |
| Swiss Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canadian Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| US Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 6 - [illegible] |
| Italian Lira | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Japanese Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | 2 - [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.44 | 96.43 | -0.04 | 96.46 | 96.42 | 19,530 | 78,133 |
| Dec | 96.33 | 96.27 | -0.10 | 96.36 | 96.26 | 21,675 | 34,423 |
| Mar | 96.25 | 96.17 | -0.11 | 96.27 | 96.17 | 10,181 | 26,831 |

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.64 | 96.63 | -0.03 | 96.66 | 96.61 | 25756 | 270856 |
| Dec | 96.48 | 96.43 | -0.05 | 96.48 | 96.42 | 44706 | 308877 |
| Mar | 96.34 | 96.30 | -0.06 | 96.35 | 96.29 | 51480 | 255548 |
| Jun | 96.14 | 96.11 | -0.06 | 96.18 | 96.09 | 43927 | 197101 |

■ **ONE MONTH EUROMARK FUTURES** (LIFFE) DM3m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Aug | - | 96.78 | -0.02 | - | - | 0 | 540 |
| Sep | - | 96.73 | -0.02 | - | - | 0 | 348 |
| Oct | 96.72 | 96.69 | -0.04 | 96.72 | 96.72 | 25 | 265 |
| Nov | 96.69 | 96.87 | -0.04 | 96.69 | 96.69 | 25 | 60 |

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 93.30 | 93.24 | -0.07 | 93.33 | 93.22 | 19640 | 109464 |
| Dec | 93.68 | 93.56 | -0.10 | 93.68 | 93.55 | 19234 | 90484 |
| Mar | 93.96 | 93.85 | -0.12 | 93.96 | 93.84 | 9941 | 52320 |
| Jun | 94.19 | 94.08 | -0.12 | 94.21 | 94.07 | 6497 | 41581 |

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 98.46 | 98.43 | -0.03 | 98.48 | 98.42 | 6216 | 59522 |
| Dec | 98.31 | 98.25 | -0.06 | 98.33 | 98.23 | 4317 | 45353 |
| Mar | 98.22 | 98.13 | -0.07 | 98.22 | 98.13 | 915 | 21183 |
| Jun | 98.08 | 97.97 | -0.08 | 98.08 | 97.95 | 1034 | 6663 |

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | - | 99.36 | -0.01 | - | - | 0 | n/a |
| Dec | - | 99.29 | -0.02 | - | - | 0 | n/a |
| Mar | - | 99.16 | -0.03 | - | - | 0 | n/a |

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.60 | 95.57 | -0.04 | 95.60 | 95.54 | 1258 | 10826 |
| Dec | 95.56 | 95.53 | -0.06 | 95.57 | 95.51 | 365 | 8798 |
| Mar | 95.53 | 95.51 | -0.08 | 95.56 | 95.51 | 284 | 5831 |
| Jun | 95.49 | 95.44 | -0.07 | 95.49 | 95.44 | 140 | 2345 |

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

| Strike Price | CALLS Sep | CALLS Dec | CALLS Mar | PUTS Sep | PUTS Dec | PUTS Mar |
|---|---|---|---|---|---|---|
| 9300 | 0.28 | 0.61 | 0.94 | 0.04 | 0.05 | 0.09 |
| 9325 | 0.09 | 0.40 | 0.73 | 0.10 | 0.09 | 0.12 |
| 9350 | 0.02 | 0.24 | 0.54 | 0.28 | 0.19 | 0.19 |

Est. vol. total, Calls 950 Puts 665. Previous day's open int., Calls [illegible] Puts [illegible]

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Aug 4 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.46 | 16.34 | 4.845 | 1.799 | 4742 | 5.457 | 19.98 | 490.3 | 409.1 | 20.88 | 3.965 | 1.594 | 3.586 | 2.599 | 307.3 | 2.453 |
| Denmark | (DKr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1.329 |
| France | (FFr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1.501 |
| Germany | (DM) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.506 |
| Ireland | (I£) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1.364 |
| Italy | (L) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.053 |
| Netherlands | (Fl) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.450 |
| Norway | (NKr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1.228 |
| Portugal | (Es) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.500 |
| Spain | (Pta) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.600 |
| Sweden | (SKr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1.175 |
| Switzerland | (SFr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.619 |
| UK | (£) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1 | [illegible] | [illegible] | [illegible] | 1.538 |
| Canada | (C$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.684 |
| USA | ($) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1 | [illegible] | 0.944 |
| Japan | (Y) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 100 | 0.798 |
| Ecu | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.5376 | 0.5365 | -0.0012 | 0.5388 | 0.5355 | 45,026 | 130,020 |
| Dec | 0.5390 | 0.5398 | -0.0014 | 0.5401 | 0.5390 | 347 | 3,222 |
| Mar | - | 0.5425 | -0.0018 | 0.5425 | 0.5418 | 1 | 545 |

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.8463 | 0.8481 | -0.0017 | 0.8507 | 0.8460 | 28,991 | 78,964 |
| Dec | 0.8592 | 0.8593 | -0.0015 | 0.8595 | 0.8585 | 133 | 1,970 |
| Mar | - | 0.8702 | -0.0019 | - | 0.8715 | 8 | 413 |

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.6578 | 0.6570 | -0.0011 | 0.6578 | 0.6547 | 14,472 | 60,916 |
| Dec | 0.6636 | 0.6636 | -0.0013 | 0.6640 | 0.6624 | 72 | 2,195 |
| Mar | - | 0.6718 | - | - | - | 7 | 987 |

■ **STERLING FUTURES** (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 1.6290 | 1.6270 | -0.0014 | 1.6290 | 1.6236 | 8,433 | 48,098 |
| Dec | 1.6206 | 1.6210 | -0.0014 | 1.6210 | 1.6190 | 51 | 851 |
| Mar | - | 1.6140 | -0.0026 | - | 1.6130 | 14 | 208 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Aug 4 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling CDs | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Treasury Bills | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Bank Bills | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Local authority deps. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Discount Market deps | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

UK clearing bank base lending rate 6¾ per cent from Jul 10, 1997

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 2½ | [illegible] | 5 | 5 | 4½ |

[illegible]

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 92.68 | 92.67 | -0.01 | 92.69 | 92.66 | 18412 | 132154 |
| Dec | 92.51 | 92.48 | -0.03 | 92.51 | 92.46 | 18682 | 134322 |
| Mar | 92.49 | 92.47 | -0.03 | 92.50 | 92.45 | 13445 | 102144 |
| Jun | 92.51 | 92.51 | -0.06 | 92.56 | 92.50 | 7845 | 72721 |
| Sep | 92.62 | 92.57 | -0.06 | 92.62 | 92.56 | 5950 | 54327 |

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Sep | CALLS Dec | CALLS Mar | PUTS Sep | PUTS Dec | PUTS Mar |
|---|---|---|---|---|---|---|
| 9250 | 0.21 | 0.15 | 0.21 | 0.04 | 0.17 | 0.24 |
| 9275 | 0.05 | 0.05 | 0.11 | 0.13 | 0.32 | 0.39 |
| 9300 | 0.01 | 0.01 | 0.05 | 0.34 | 0.53 | 0.58 |

Est. vol. total, Calls 1212 Puts 6140. Previous day's open int., Calls 181430 Puts 172311

## EMS EUROPEAN CURRENCY UNIT RATES

| Aug 4 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Finland | 5.85424 | 5.81061 | [illegible] | [illegible] | [illegible] | -6 |
| Ireland | 0.798709 | 0.734919 | [illegible] | [illegible] | [illegible] | 54 |
| Portugal | 197.398 | 200.533 | [illegible] | [illegible] | [illegible] | -11 |
| Italy | 1906.48 | [illegible] | [illegible] | [illegible] | [illegible] | -13 |
| Spain | 163.826 | 167.348 | [illegible] | [illegible] | [illegible] | -15 |
| Denmark | 7.34555 | 7.55391 | [illegible] | [illegible] | [illegible] | -19 |
| Netherlands | 2.16979 | 2.23300 | [illegible] | [illegible] | [illegible] | -22 |
| Germany | 1.92573 | 1.98233 | [illegible] | [illegible] | [illegible] | -29 |
| Austria | 13.5485 | 13.9463 | [illegible] | [illegible] | [illegible] | -22 |
| Belgium | 39.7191 | 40.9307 | [illegible] | [illegible] | [illegible] | -22 |
| France | 6.45863 | 6.68691 | [illegible] | [illegible] | [illegible] | -30 |
| NON ERM MEMBERS | | | | | | |
| Greece | 295.269 | 309.247 | [illegible] | [illegible] | [illegible] | - |
| UK | 0.793103 | 0.651165 | [illegible] | [illegible] | [illegible] | - |

[illegible]

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

| Strike Price | CALLS Aug | CALLS Sep | CALLS Oct | PUTS Aug | PUTS Sep | PUTS Oct |
|---|---|---|---|---|---|---|
| 1.630 | 1.11 | 1.86 | 2.41 | [illegible] | 1.91 | 2.57 |
| 1.640 | 0.68 | 1.42 | 1.96 | [illegible] | 2.51 | 3.08 |
| 1.650 | 0.43 | 1.07 | 1.58 | 2.26 | 3.04 | - |

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 (cents per DM)

| Strike Price | CALLS Aug | CALLS Sep | CALLS Oct | PUTS Aug | PUTS Sep | PUTS Oct |
|---|---|---|---|---|---|---|
| 0.530 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 0.535 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 0.540 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.27 | 94.25 | -0.02 | 94.27 | 94.25 | 105,005 | 528,357 |
| Dec | 94.11 | 94.08 | -0.03 | 94.12 | 94.07 | 225,240 | 471,513 |
| Mar | 94.03 | 94.00 | -0.03 | 94.03 | 93.98 | 236,645 | 342,197 |

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.89 | 94.88 | -0.01 | 94.90 | 94.89 | 652 | 7,017 |
| Dec | 94.80 | 94.78 | -0.02 | 94.78 | 94.78 | 178 | 786 |

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

| Strike Price | CALLS Sep | CALLS Oct | CALLS Dec | CALLS Mar | PUTS Sep | PUTS Oct | PUTS Dec | PUTS Mar |
|---|---|---|---|---|---|---|---|---|
| 9625 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.10 |
| 9650 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.19 |
| 9675 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.35 |
| 9700 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.58 |
| 9725 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.82 |

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Sep | CALLS Dec | CALLS Mar | PUTS Sep | PUTS Dec | PUTS Mar |
|---|---|---|---|---|---|---|
| 9850 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 9875 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6.75 | Duncan Lawrie | 6.75 | Scottish Widows Bank | 6.75 |
| Allied Irish Bank (GB) | 6.75 | Exeter Bank Limited | 7.75 | ●Singer & Friedlander | 6.75 |
| ●Henry Ansbacher | 6.75 | Financial & Gen Bank | 7.50 | ●Smith & Williamson Secs | 6.75 |
| Bank of Baroda | 6.75 | ●Robert Fleming & Co | 6.75 | Sun Banking Corp Ltd | 6.75 |
| Banco Bilbao Vizcaya | 6.75 | ●Guinness Mahon | 6.75 | TSB | 6.75 |
| Bank of Cyprus | 6.75 | Habib Bank AG Zurich | 6.75 | United Bank of Kuwait | 6.75 |
| Bank of Ireland | 6.75 | ●Hambros Bank | 6.75 | Unity Trust Bank Plc | 6.75 |
| Bank of India | 6.75 | Heritable & Gen Inv Bk | 6.75 | Western Trust | 6.50 |
| Bank of Scotland | 6.75 | C. Hoare & Co | 6.75 | Whiteaway Laidlaw | 6.75 |
| Barclays Bank | 6.75 | Hongkong & Shanghai | 6.75 | Yorkshire Bank | 6.75 |
| Brit Bk of Mid East | 6.50 | Investec Bank (UK) Ltd | 6.75 | | |
| ●Brown Shipley & Co Ltd | 6.75 | Julian Hodge Bank | 6.75 | ● Members of London Investment Banking Association | |
| Citibank NA | 6.75 | ●Leopold Joseph & Sons | 6.75 | * In administration | |
| Clydesdale Bank | 6.75 | Lloyds Bank | 6.75 | | |
| The Co-operative Bank | 6.75 | Midland Bank | 6.75 | | |
| Coutts & Co | 6.75 | NatWestminster | 6.75 | | |
| Cyprus Popular Bank | 6.75 | ●Rea Brothers | 6.75 | | |
| | | Royal Bk of Scotland | 6.75 | | |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The amount of any missing unmatured Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid against surrender of the relative missing Coupons within five years from the date of payment. The redeemed Notes will become void unless presented for payment within ten years of the redemption date.

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CHASE

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## COMMODITIES AND AGRICULTURE

# Drought threatens Chinese corn exports

By James Harding in Shanghai

A severe drought in China's corn belt has driven up domestic prices and is threatening to halt exports.

China returned to the international corn markets this year, after a bumper harvest last year enabled it to sell abroad for the first time since 1994.

But the shortage of rsin in north-east and central China over the last few months has badly damaged the corn crop, prompting speculation that China will withdraw from international sales in the second half of this year.

"Unless there is an improvement in the weather, we are unlikely to see any more substantial corn exports," said one agriculture official at a western embassy in Beijing.

The official said there bad been "reports tbat China bad witbdrawn permission to traders to export corn".

The US government is revising downwards its forecast for the 1997 corn barvest, having predicted a 115m tonne crop, against last year's 127m tonnes, because of declining corn acreage.

Cbina's official media has reported that 20m hectares of arable land have been hit by drought, calculating that northern regions have experienced a 40-60 per cent drop in rainfall.

In Hebei province near Beijing, for example, authorities report that the most severe drought in more than 40 years would mean 200,000 hectares would yield no produce this year and a further 200,000 hectares bad been left unsowable.

The government has given no indication of how badly it believes the corn crop has been hit, but said "weatber conditions are worse than last year, especially because of drought ... there will be a decrease" in output.

Grain traders in Dalian, the northern port city which is one of China's chief corn excbanges, have seen prices rise sharply over the last week on estimates that the 1997 crop could come in 20 per cent lower than in 1996.

China exported 2.01m tonnes in the first half of this year, selling most of its corn in Asia. There have been reports of exports to the Philippines, South Korea and Malaysia. In June, traders were forecasting total overseas sales of more than 3m tonnes in 1997, depending on Asian demand.

Beijing clamped down on corn exports three years ago, when dwindling domestic stocks and continued foreign sales were driving up prices and contributing to soaring inflation. Last year's exceptional crop replenished state silos and enabled the government authorities to re-issue export licences.

But agricultural observers have warned that corn output is in structural decline in China, where farmers are switching to more lucrative crops such as soyabeans.

According to official reports, corn acreage has fallen by 3.5 per cent in 1997 compared with last year, to a total of 23.6m hectares.

# Doe Run wins La Oroya contract

By Kenneth Gooding, Mining Correspondent

Doe Run, the biggest US lead producer, has been given the exclusive right to bid for the La Oroya smelting-refining complex in Peru, said Mr Jeffrey Zelms, Doe Run chief executive, yesterday.

His company was doing due diligence and was involved in final negotiations with Centromin, the state group that owns La Oroya, and the deal would be closed by September 30, he said.

If the negotiations came to a successful conclusion, it would be Doe Run's first substantial step outside the US, said Mr Zelms. The complex has the capacity to produce about 95,000 tonnes a year of lead and 70,000 tonnes of zinc.

Doe Run, a subsidiary of the Renco Group of New York, was runner-up in the first bid for La Oroya in April, bnt the winner, Indnstrias Penoles of Mexico, subsequently withdrew its offer for 60 per cent of the complex, claiming Centromin had burdened La Oroya with additional liabilities after the sales.

Centromin said Doe Run would pay $126.5m for 51 per cent of La Oroya and "about $120m" for the rest of the complex. However, the US group would "fully respect" the rights of employees to acquire up to 10 per cent of the shares.

Mr Zelms said Doe Run would certainly comply with tbe regulations about employee shareholdings but it wanted as close to 100 per cent of La Oroya as possible.

The complex is 3,700 metres up in the Andes and 120 miles east of Lima. The refineries and smelters process 22 metals and their by-products.

# Colombian unrest lifts oil

MARKETS REPORT

By Robert Corzine, Kenneth Gooding and Gary Mead

Oil prices rose yesterday as news of a new round of guerrilla attacks against Colombian oil installations offset earlier price weakness attributed to progress at the UN on the resumption of Iraqi exports under the oil-for-food programme.

The price of the bellwether Brent Blend for September delivery was $19.32 a barrel in late London trading, 36 cents up on Friday's close of $18.96 a barrel.

The rise came after Ecopetrol, the Colombian state oil company, and Occidental, the US oil group which operates the Cano Limon field, declared force majeure because guerrilla attacks and a landslide had cut the pipeline linking it with the coastal export terminal at Covenas. Tbe Cano Limon field produces about 175,000 barrels a day.

The technical squeeze in the London Metal Exchange alumininm market grew move severe yesterday, as metal for delivery in three months reacbed $1.446 a tonne, tbe highest for 21 months, before easing back in late trading. The premium for aluminium for immediate delivery moved up to $7 a tonne, tbough tradere said volume was seasonally low.

The zinc market, also in the grip of a squeeze, saw the premium for metal for immediate delivery jump to $100 a tonne. Traders suggested this implied Chinese zinc smelters that had sold short still had to cover many of their positions.

Buoyancy in arabica coffee futures on New York's Coffee, Sugar and Cocoa Exchange belped lift the September contract for robusta coffee on the London International Financial Futures Exchange. But traders said the rejuvenation owed more to local and small speculators making forays, than any significant players re-entering the market.

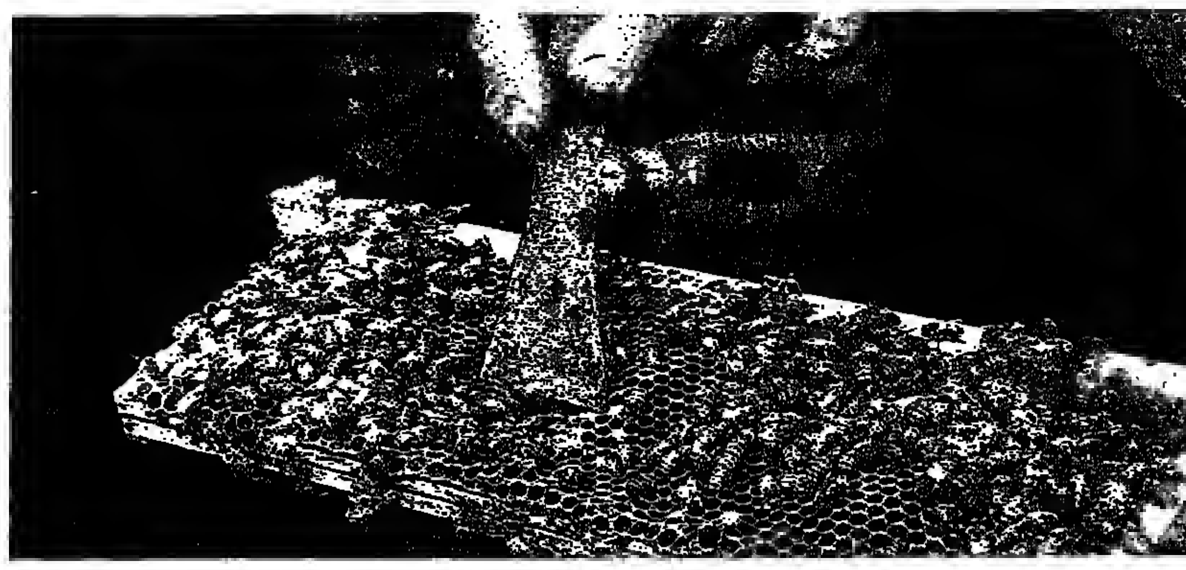
On tbe CSCE the September contract was up 7.80 cents to 192.75 cents a pound before midday, pusbed partly by s report from Ms Judy Ganes, analyst witb Merrill Lyncb, that supplies of quality arabicas could be tight until November.

On Liffe, the September contract closed $12 higher at $1,660 a tonne. Before the opening of tbe New York market, tbe Liffe contract had traded as low as $1,585 and struggled to gain $1,607 by midday, $11 lower than the previous close.

# Virus endangers UK honey bees

England's indigenous boney-bee population is under threat of serious depletion, endangering not only domestic honey production but also arable farming generally.

The danger derives from the spread of a 1.5mm-long parasite whicb lives on boney bees. The Varroa mite, which fatally weakens bees by blood-sucking and cross-infecting them witb viruses, is now in 51 counties across England and Wales – baving first been discovered in England, in the south-west county of Devon, only five years ago. In Europe, only Ireland and Scotland are now free of Varroa infestation.



Gary Mead

European boney bee pollination was valued in a 1989 French study as being worth £6.25bn

With annual revenues of just £12m, England's honey production is more of a cottage industry than s big business. However, the boney bee plays an important role as the leading natural pollinating agent for 80 per cent of the UK's plant species.

Use of pesticides, the elimination of bedgerows, and other aspects of large-scale farming have collectively brougbt about massive depopulation of other natural pollinators: of the 19 different bumble bee species once in the UK, 13 are now extinct.

Across Europe the importance of honey bee pollination was valued in a 1989 French study as being worth £6.25bn, according to Mr Medwin Baw, head of the National Bee Unit at the Central Science Laboratory, whicb is part of the UK's Ministry of Agriculture, Fisheries and Food.

"Bees are livestock, just like other farmed animals. They have to be managed, and this parasite is a very serious, worldwide problem," said Mr Bew yesterday, at the London launch of the first nstional Varroa awareness week.

In Europe, the Varroa pest first became a serious problem in Germany in the 1970s. Since then 40 per cent of Germany's beekeepers have gone out of business. It has since spread across almost all the continent, with estimated high though ill-documented costs to agriculture.

In the Piedmont region of Italy, apricot and apple growers saw the equivalent of £80m wiped off tbeir 1995-96 harvests, as a result of poor pollination.

According to the British Beekeepers Association, 70 per cent of the honey bee colonies in Hampshire were lost to the Varroa parasite in 1995–96, and fruit orchard, strawberry and raspberry production levels were all considerably lower during that season.

"There are 3,920 apiaries in England and Wales – that's roughly 10 per cent of the total – that have have been infested by Varroa, though we suspect there are many more than that," said Mr Bew.

He added that one of the key reasons why the pest must be brought under control – which is possible with careful use of pesticides – is the threat it poses to equally important, feral boney bee colonies.

"In the US a recent study of up-state New York showed that for every one managed colony there were 11 naturally-occurring colonies. If we don't control the spread of Varroa among the managed colonies, it spreads to wild colonies which, by definition, we don't know the location of," he said.

Once Varroa gets a firm grip among wild bee colonies, it is only a matter of time before the wild honey bee becomes extinct, and pollination, now taken almost for granted as a natural process, becomes a large cost to arable farmers.

Gary Mead

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1741-42 | 1734-35 |
| Previous | 1740-41 | 1736.5-37.0 |
| High/low | | 1749/1733 |
| AM Official | 1745-46 | 1736-37 |
| Kerb close | | 1743-44 |
| Open int. | 287,150 | |
| Total daily turnover | 94,608 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | | |
|---|---|---|
| Close | 1505-10 | 1530-35 |
| Previous | 1515-20 | 1540-45 |
| High/low | | 1542/1535 |
| AM Official | 1510-12 | 1540-42 |
| Kerb close | | 1530-35 |
| Open int. | 5,708 | |
| Total daily turnover | 625 | |

■ LEAD ($ per tonne)

| | | |
|---|---|---|
| Close | 622.5-3.5 | 636-7 |
| Previous | 626-27 | 638.5-39.0 |
| High/low | | 637/634 |
| AM Official | 624-25 | 635.5-36.5 |
| Kerb close | | 636-7 |
| Open int. | 36,465 | |
| Total daily turnover | 7,466 | |

■ NICKEL ($ per tonne)

| | | |
|---|---|---|
| Close | 7205-15 | 7300-10 |
| Previous | 7400-405 | 7485-90 |
| High/low | | 7430/7210 |
| AM Official | 7255-60 | 7340-50 |
| Kerb close | | 7215-20 |
| Open int. | 52,541 | |
| Total daily turnover | 18,096 | |

■ TIN ($ per tonne)

| | | |
|---|---|---|
| Close | 5545-55 | 5590-600 |
| Previous | 5605-15 | 5640-50 |
| High/low | | 5660/5540 |
| AM Official | 5535-40 | 5570-75 |
| Kerb close | | 5580-85 |
| Open int. | 16,045 | |
| Total daily turnover | 4,926 | |

■ ZINC, special high grade ($ per tonne)

| | | |
|---|---|---|
| Close | 1584-87 | 1488-89 |
| Previous | 1549-52 | 1465-66 |
| High/low | 1572/1570 | 1494/1468 |
| AM Official | 1570-72 | 1470-71 |
| Kerb close | | 1494-95 |
| Open int. | 99,543 | |
| Total daily turnover | 29,303 | |

■ COPPER, grade A ($ per tonne)

| | | |
|---|---|---|
| Close | 2318-22 | 2290-81 |
| Previous | 2339-42 | 2310-11 |
| High/low | 2316/2314 | 2311/2270 |
| AM Official | 2314-15 | 2290-91 |
| Kerb close | | 2281-83 |
| Open int. | 141,023 | |
| Total daily turnover | 39,897 | |

■ LME AM Official £/$ rate: 1.6276
LME Closing £/$ rate: 1.6315

Spot: 1.6289 3 mths: 1.6231 6 mths: 1.6161 9 mths: 1.6102

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 106.40 | -0.55 | 106.50 | 105.10 | 510 | 3,099 |
| Sep | 106.20 | -1.05 | 107.40 | 104.70 | 5,619 | 20,508 |
| Oct | 105.10 | -1.15 | 105.40 | 105.40 | 25 | 1,679 |
| Nov | 104.50 | -1.25 | 104.75 | 104.75 | 67 | 1,356 |
| Dec | 103.90 | -1.25 | 104.00 | 103.00 | 759 | 7,719 |
| Jan | 103.50 | -1.15 | - | - | 19 | 645 |
| Total | | | | | 7,130 | 42,622 |

### PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 323.80-324.10 | | |
| Opening | 323.85-324.15 | | |
| Morning fix | 324.05 | 199.22 | 496.77 |
| Afternoon fix | 323.55 | 198.31 | 494.38 |
| Day's High | 324.20-324.50 | | |
| Day's Low | 323.50-323.80 | | |
| Previous close | 323.80-324.30 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 3.92 | 6 months | 3.87 |
| 2 months | 3.91 | 12 months | 3.90 |
| 3 months | 3.88 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 274.05 | 446.00 |
| 3 months | 278.15 | 451.05 |
| 6 months | 282.80 | 456.35 |
| 1 year | 291.50 | 467.50 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 325-327 | 199-201 |
| Maple Leaf | - | - |
| New Sovereign | 76-78 | 47-48 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 323.9 | -0.8 | 324.7 | 323.5 | 1,507 | 1,861 |
| Sep | 324.7 | -0.8 | - | - | 2 | 4 |
| Oct | 326.0 | -0.8 | 327.4 | 325.5 | 373 | 14,825 |
| Dec | 328.1 | -0.8 | 329.5 | 327.6 | 27,918 | 103.4K |
| Feb | 330.4 | -0.8 | 330.9 | 330.0 | 458 | 12,318 |
| Apr | 332.4 | -0.8 | - | - | 52 | 5,179 |
| Total | | | | | 30,760 | 186,589 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 455.2 | +16.7 | 458.0 | 436.5 | 2,284 | 12,744 |
| Jan | 445.2 | +17.7 | 447.0 | 434.0 | 442 | 2,508 |
| Apr | 438.2 | +18.7 | 442.0 | 423.5 | 223 | 405 |
| Total | | | | | 2,949 | 15,657 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 215.60 | +9.00 | 215.60 | 215.60 | 209 | 4,316 |
| Dec | 207.60 | +8.00 | 207.60 | 207.60 | 5 | 1,095 |
| Mar | 201.60 | +9.00 | 201.60 | 201.60 | 17 | 160 |
| Jun | 200.10 | +9.00 | - | - | - | 107 |
| Total | | | | | 231 | 5,681 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 448.8 | +3.7 | - | - | - | - |
| Sep | 400.7 | +3.7 | 454.0 | 445.5 | 13,638 | 55,064 |
| Dec | 457.2 | +3.7 | 460.0 | 451.0 | 1,001 | 18,003 |
| Jan | 458.9 | +3.7 | - | - | - | 20 |
| Mar | 463.8 | +3.7 | 464.0 | 460.5 | 69 | 10,334 |
| May | 467.6 | +3.7 | - | - | 2 | 2,968 |
| Total | | | | | 14,717 | 93,511 |

### ENERGY

■ CRUDE OIL NYMEX (1,000 barrels $/barrel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 20.15 | -0.13 | 20.45 | 19.95 | 36,142 | 97,128 |
| Oct | 20.21 | -0.10 | 20.44 | 20.10 | 16,500 | 53,917 |
| Nov | 20.22 | -0.08 | 20.42 | 20.15 | 4,783 | 33,441 |
| Dec | 20.25 | -0.04 | 20.40 | 20.15 | 5,840 | 49,533 |
| Jan | 20.27 | - | 20.42 | 20.15 | 1,368 | 25,887 |
| Feb | 20.23 | -0.03 | 20.24 | 20.20 | 444 | 13,460 |
| Total | | | | | 72,262 | 420,026 |

■ CRUDE OIL IPE ($/barrel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 18.96 | +0.01 | 19.08 | 18.80 | 14,045 | 63,961 |
| Oct | 18.96 | -0.01 | 19.07 | 18.83 | 7,387 | 46,472 |
| Nov | 18.94 | -0.09 | 19.04 | 18.91 | 900 | 13,030 |
| Dec | 19.12 | +0.04 | 19.12 | 18.97 | 498 | 17,785 |
| Jan | 19.03 | -0.04 | 19.08 | 19.03 | 258 | 14,408 |
| Feb | 18.97 | -0.07 | 19.05 | 18.97 | 105 | 6,002 |
| Total | | | | | n/a | n/a |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 56.55 | -0.01 | 56.95 | 56.20 | 10,283 | 43,130 |
| Oct | 57.15 | +0.07 | 57.60 | 56.85 | 4,702 | 26,156 |
| Nov | 57.80 | +0.07 | 58.25 | 57.50 | 3,143 | 17,243 |
| Dec | 58.45 | +0.07 | 58.90 | 58.15 | 2,682 | 18,542 |
| Jan | 58.85 | +0.17 | 59.05 | 58.50 | 1,529 | 15,130 |
| Feb | 58.75 | +0.22 | 58.75 | 58.40 | 611 | 8,507 |
| Total | | | | | 23,968 | 146,905 |

■ GAS OIL IPE ($/tonne)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 172.25 | +0.75 | 173.50 | 171.50 | 5,442 | 17,692 |
| Sep | 173.50 | +0.50 | 174.75 | 172.75 | 3,222 | 16,715 |
| Oct | 175.00 | +0.25 | 176.00 | 174.25 | 1,421 | 9,939 |
| Nov | 176.50 | +1.00 | 176.50 | 175.75 | 406 | 5,494 |
| Dec | 177.50 | +1.00 | 177.75 | 176.25 | 575 | 12,249 |
| Jan | 177.75 | +0.75 | 177.75 | 177.00 | 195 | 7,742 |
| Total | | | | | 11,122 | 82,571 |

■ NATURAL GAS IPE (1,000 therms; pence per therm)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 9.560 | -0.060 | - | - | - | 420 |
| Oct | 11.075 | -0.075 | - | - | - | 760 |
| Total | | | | | 455 | 4,780 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 2.290 | +0.051 | 2.325 | 2.230 | 13,361 | 37,106 |
| Oct | 2.295 | +0.050 | 2.325 | 2.235 | 2,847 | 23,791 |
| Nov | 2.415 | +0.055 | 2.435 | 2.360 | 696 | 12,737 |
| Dec | 2.535 | +0.055 | 2.550 | 2.475 | 1,079 | 15,758 |
| Jan | 2.555 | +0.050 | 2.580 | 2.470 | 594 | 17,115 |
| Feb | 2.460 | +0.043 | 2.475 | 2.410 | 215 | 11,507 |
| Total | | | | | 19,869 | 183,154 |

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 65.85 | +0.78 | 66.00 | 64.70 | 25,373 | 39,781 |
| Oct | 60.15 | -0.22 | 61.00 | 59.85 | 8,596 | 13,409 |
| Nov | 58.20 | -0.17 | 58.00 | 58.00 | 2,373 | 7,210 |
| Dec | 57.50 | -0.12 | 57.95 | 57.25 | 1,177 | 8,570 |
| Jan | 57.50 | -0.07 | 57.50 | 57.10 | 439 | 7,367 |
| Feb | 57.40 | - | 57.40 | 57.40 | 250 | 1,984 |
| Total | | | | | 38,558 | 92,442 |

### GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 82.00 | - | - | - | - | 232 |
| Nov | 84.75 | +0.35 | 84.75 | 84.40 | 25 | 3,759 |
| Jan | 86.75 | +0.45 | - | - | - | 2,365 |
| Mar | 88.75 | +0.45 | 88.75 | 88.30 | 147 | 1,403 |
| May | 90.75 | +0.45 | 90.75 | 90.30 | 13 | 851 |
| Jul | 92.75 | +0.45 | - | - | - | 26 |
| Total | | | | | 185 | 8,626 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 354.75 | -6.75 | 367.00 | 353.50 | 4,867 | 40,753 |
| Dec | 369.50 | -7.00 | 383.00 | 368.00 | 9,953 | 43,094 |
| Mar | 389.25 | -7.50 | 391.00 | 378.50 | 3,700 | 13,537 |
| May | 381.50 | -7.00 | 391.00 | 381.00 | 117 | 1,261 |
| Jul | 375.50 | -4.50 | 383.00 | 374.50 | 96 | 4,587 |
| Dec | 391.00 | +5.00 | 395.00 | 391.00 | 1 | 1 |
| Total | | | | | 18,733 | 103,274 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 263.75 | -4.75 | 275.00 | 262.50 | 21,631 | 58,530 |
| Dec | 265.00 | -4.00 | 276.00 | 263.00 | 43,335 | 151,581 |
| Mar | 273.00 | -3.75 | 283.00 | 271.00 | 5,517 | 32,258 |
| May | 277.50 | -3.50 | 286.50 | 276.00 | 1,649 | 6,950 |
| Jul | 280.50 | -3.50 | 289.00 | 279.00 | 2,676 | 11,824 |
| Sep | 263.25 | -4.50 | 270.00 | 262.50 | 93 | 1,343 |
| Total | | | | | 75,272 | 268,841 |

■ BARLEY LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 77.25 | - | 77.25 | 77.25 | 5 | 71 |
| Nov | 79.55 | +0.15 | 79.40 | 79.00 | 70 | 1,072 |
| Jan | 81.55 | +0.15 | 81.00 | 81.00 | 20 | 240 |
| Mar | 83.55 | +0.15 | 83.55 | 83.00 | 39 | 122 |
| May | 84.75 | +0.10 | - | - | - | 9 |
| Total | | | | | 134 | 1,914 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 765.25 | +3.25 | 776.00 | 757.00 | 7,370 | 12,821 |
| Sep | 677.50 | -6.25 | 706.50 | 672.50 | 5,870 | 17,140 |
| Nov | 646.25 | -9.25 | 675.00 | 642.50 | 30,619 | 74,050 |
| Jan | 650.75 | -9.00 | 679.00 | 647.50 | 1,966 | 15,832 |
| Mar | 659.00 | -8.75 | 682.00 | 655.50 | 821 | 5,192 |
| May | 664.25 | -7.25 | 682.50 | 663.00 | 433 | 3,943 |
| Total | | | | | 47,488 | 132,826 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 21.95 | -0.13 | 22.45 | 21.87 | 4,605 | 3,861 |
| Sep | 22.12 | -0.18 | 22.70 | 22.05 | 8,217 | 20,794 |
| Oct | 22.26 | -0.16 | 22.85 | 22.22 | 1,424 | 15,866 |
| Dec | 22.59 | -0.15 | 23.45 | 22.52 | 8,721 | 43,628 |
| Jan | 22.75 | -0.15 | 23.35 | 22.73 | 433 | 6,426 |
| Mar | 23.02 | -0.21 | 23.65 | 22.98 | 764 | 4,604 |
| Total | | | | | 24,402 | 98,834 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 260.3 | +4.3 | 261.5 | 255.0 | 5,033 | 13,996 |
| Sep | 234.1 | +1.1 | 236.8 | 231.0 | 5,518 | 20,210 |
| Oct | 219.7 | -1.0 | 225.0 | 216.5 | 5,251 | 15,936 |
| Dec | 213.3 | -3.3 | 222.0 | 211.5 | 10,824 | 38,294 |
| Jan | 210.3 | -3.9 | 218.0 | 210.0 | 548 | 5,748 |
| Mar | 206.3 | -3.4 | 215.0 | 206.0 | 316 | 8,032 |
| Total | | | | | 27,793 | 108,263 |

■ POTATOES LIFFE (20 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 62.0 | - | - | - | - | 8 |
| Mar | 125.0 | +20.0 | - | - | - | - |
| Apr | 137.0 | +20.0 | 140.0 | 115.0 | 601 | 1,215 |
| May | 147.0 | +20.0 | - | - | - | 2 |
| Jun | 157.0 | +20.0 | - | - | - | - |
| Total | | | | | 601 | 1,225 |

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 1295 | +10 | 1295 | 1280 | 41 | 828 |
| Sep | 1360 | +5 | - | - | - | 507 |
| Oct | 1465 | +10 | 1465 | 1450 | 96 | 1,442 |
| Jan | 1475 | +10 | - | - | - | 235 |
| Total | | | | | 137 | 3,022 |

| | Close | Prev |
|---|---|---|
| BFI | 1283 | 1279 |

### PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 541.75 | -0.25 | 541.75 | 541.75 | 10 | 168 |
| Dec | 560.00 | - | 560.00 | 560.00 | 9 | 89 |
| Total | | | | | 20 | 254 |

FUTURES DATA
*All futures data supplied by CMS.*

**Spices**
After the very steep price rises of recent weeks, traders are confronted with a correction – expected to be temporary – in the Indian market, Man Producten reports. A wave of profit taking has pushed prices down by some $200-$250 a tonne. The price for other origins, like Indonesia and Brazil, remained unchanged. The spot price for FAQ grade in Rotterdam was $5,250 a tonne. The supply of white pepper improved gradually in the week without causing selling pressure. Traders expect the demand for pepper to improve after the holiday period.

### SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 1013 | -5 | 1016 | 1005 | 328 | 23,824 |
| Dec | 1044 | -8 | 1049 | 1037 | 469 | 43,657 |
| Mar | 1066 | -9 | 1066 | 1066 | 3 | 49,590 |
| May | 1082 | -9 | 1079 | 1078 | 20 | 21,662 |
| Jul | 1097 | -10 | 1101 | 1101 | 25 | 7,356 |
| Sep | 1112 | -10 | 1119 | 1110 | 155 | 10,666 |
| Total | | | | | 1,245 | 176,976 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 1500 | -17 | 1527 | 1495 | 2,789 | 22,175 |
| Dec | 1546 | -18 | 1570 | 1542 | 1,564 | 25,444 |
| Mar | 1580 | -18 | 1600 | 1574 | 436 | 24,907 |
| May | 1599 | -19 | 1621 | 1599 | 76 | 10,994 |
| Jul | 1619 | -17 | 1634 | 1634 | 100 | 1,516 |
| Sep | 1639 | -17 | - | - | - | 3,743 |
| Total | | | | | 5,026 | 100,306 |

■ COCOA (ICCO) (SDR's/tonne)

| Aug 1 | Price | Prev. day |
|---|---|---|
| Daily | 1206.48 | 1205.31 |

■ COFFEE LIFFE (5 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 1660 | +42 | 1670 | 1585 | 1,703 | 19,191 |
| Nov | 1655 | +45 | 1665 | 1590 | 1,024 | 13,725 |
| Jan | 1630 | +45 | 1620 | 1585 | 476 | 5,967 |
| Mar | 1595 | +45 | 1546 | 1535 | 22 | 1,630 |
| May | 1585 | +45 | - | - | - | 90 |
| Jul | 1580 | +45 | - | - | - | 20 |
| Total | | | | | 3,314 | 40,623 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 193.75 | +8.80 | 198.75 | 183.00 | 1,884 | 8,114 |
| Dec | 158.70 | +6.40 | 169.50 | 160.50 | 530 | 6,364 |
| Mar | 151.55 | +4.25 | 152.00 | 146.00 | 145 | 3,272 |
| May | 145.00 | +3.75 | 146.00 | 141.00 | 36 | 930 |
| Jul | 140.50 | +3.00 | 142.00 | 137.50 | 37 | 565 |
| Sep | 137.05 | +3.58 | 138.00 | 136.00 | 8 | 316 |
| Total | | | | | 2,622 | 20,637 |

■ COFFEE (ICO) (US cents/pound)

| Aug 1 | | Prev. day |
|---|---|---|
| Comp. daily | 137.88 | 139.00 |
| 15 day average | 133.56 | 133.28 |

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 326.2 | -1.1 | 327.0 | 326.0 | 403 | 15,297 |
| Dec | 321.8 | -1.0 | 322.5 | 321.5 | 95 | 5,743 |
| Mar | 322.7 | -0.9 | 323.0 | 322.1 | 322 | 6,970 |
| May | 320.2 | -0.3 | - | - | - | 1,427 |
| Aug | 317.2 | -0.8 | - | - | - | 917 |
| Oct | 309.7 | -1.1 | - | - | - | 7,823 |
| Total | | | | | 820 | 32,247 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 11.58 | -0.07 | 11.68 | 11.56 | 17,046 | 112.6k |
| Mar | 11.77 | -0.07 | 11.84 | 11.75 | 6,509 | 57,745 |
| May | 11.72 | -0.08 | 11.79 | 11.71 | 1,559 | 12,340 |
| Jul | 11.64 | -0.05 | 11.70 | 11.61 | 485 | 7,177 |
| Oct | 11.55 | -0.05 | 11.64 | 11.55 | 252 | 3,053 |
| Mar | 11.46 | -0.05 | 11.54 | 11.54 | 122 | 939 |
| Total | | | | | 25,973 | 193,913 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 75.08 | +0.12 | 78.10 | 74.81 | 1,078 | 11,473 |
| Dec | 74.64 | -0.28 | 75.35 | 74.80 | 5,018 | 43,229 |
| Mar | 76.13 | -0.17 | 76.20 | 75.83 | 345 | 10,748 |
| May | 76.76 | -0.12 | 77.10 | 76.65 | 5 | 2,786 |
| Jul | 77.15 | -0.10 | 77.20 | 77.20 | 1 | 1,539 |
| Oct | 75.10 | -0.25 | 75.25 | 75.25 | 00 | 539 |
| Total | | | | | 6,782 | 75,903 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 75.10 | -0.45 | 75.00 | 74.90 | 628 | 16,689 |
| Nov | 77.20 | -0.30 | 77.80 | 76.80 | 323 | 6,477 |
| Jan | 80.20 | -0.30 | 80.60 | 00.00 | 88 | 3,753 |
| Mar | 83.25 | -0.20 | 83.70 | 82.50 | 44 | 2,563 |
| May | 86.00 | -0.20 | 86.25 | 86.00 | 1 | 708 |
| Jul | 88.75 | -0.15 | 88.50 | 88.50 | 11 | 190 |
| Total | | | | | 1,084 | 32,486 |

**VOLUME DATA**
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

### INDICES

■ Reuters (Base: 18/9/31 = 100)

| Aug 4 | Aug 1 | month ago | year ago |
|---|---|---|---|
| 1926.6 | 1926.2 | 1906.6 | 1935.6 |

■ CRB Futures (Base: 1967 = 100)

| Aug 1 | Jul 31 | month ago | year ago |
|---|---|---|---|
| 243.36 | 242.75 | | |

■ GSCI Spot (Base: 1970 = 100)

| Aug 1 | Jul 31 | month ago | year ago |
|---|---|---|---|
| n/a | 192.29 | 185.17 | 194.65 |

LME WAREHOUSE STOCKS (tonnes)

| | | | |
|---|---|---|---|
| Aluminium | -450 | to | 627,300 |
| Aluminium alloy | -200 | to | 54,880 |
| Copper | +2,800 | to | 237,750 |
| Lead | +250 | to | 173,586 |
| Nickel | +150 | to | 64,306 |
| Zinc | +1,700 | to | 398,600 |
| Tin | +105 | to | 11,400 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 67.300 | -0.225 | 67.400 | 66.900 | 4,049 | 19,799 |
| Oct | 70.300 | -0.225 | 70.475 | 70.025 | 5,397 | 51,033 |
| Dec | 72.125 | -0.450 | 72.375 | 71.800 | 1,546 | 20,772 |
| Feb | 73.375 | -0.175 | 73.525 | 73.025 | 387 | 9,782 |
| Apr | 75.025 | -0.125 | 75.200 | 74.650 | 272 | 3,667 |
| Jun | 71.750 | -0.075 | 71.900 | 71.475 | 156 | 2,843 |
| Total | | | | | 11,821 | 108,242 |

■ LEAN HOGS CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 82.850 | +0.675 | 82.900 | 81.900 | 3,032 | 8,372 |
| Oct | 75.925 | +0.350 | 76.000 | 75.150 | 4,722 | 17,672 |
| Dec | 71.675 | +0.475 | 71.750 | 70.900 | 922 | 6,313 |
| Feb | 69.925 | +0.225 | 70.000 | 69.250 | 158 | 2,311 |
| Apr | 64.875 | +0.250 | 65.050 | 64.575 | 91 | 1,445 |
| Jun | 68.325 | +0.275 | 68.700 | 68.100 | 84 | 790 |
| Total | | | | | 9,883 | 37,713 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 89.150 | +1.100 | 89.400 | 87.350 | 2,471 | 2,575 |
| Feb | 78.550 | +0.700 | 78.400 | 77.400 | 1,655 | 3,295 |
| Mar | 78.900 | +1.250 | 78.900 | 77.650 | 4 | 73 |
| May | 78.200 | +1.025 | 78.200 | 77.500 | 6 | 18 |
| Jul | 79.000 | +1.500 | 79.000 | - | 2 | 15 |
| Total | | | | | 4,141 | 5,981 |

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

| ■ ALUMINIUM (99.7%) LME | Sep | Nov | Sep | Nov |
|---|---|---|---|---|
| 1700 | 80 | 104 | 33 | 66 |
| 1750 | 52 | 80 | 55 | 93 |
| 1800 | 32 | 60 | 85 | 122 |
| ■ COPPER (Grade A) LME | Sep | Nov | Sep | Nov |
| 2250 | 106 | 111 | 30 | 84 |
| 2300 | 74 | 86 | 48 | 107 |
| 2350 | 48 | 66 | 72 | 136 |
| ■ COFFEE LIFFE | Sep | Nov | Sep | Nov |
| 1600 | 108 | 159 | 48 | 104 |
| 1650 | 81 | 137 | 71 | 132 |
| 1700 | 59 | 118 | 99 | 163 |
| ■ COCOA LIFFE | Sep | Dec | Sep | Dec |
| 1000 | 32 | 89 | 18 | 45 |
| 1025 | 20 | 75 | 32 | 56 |
| 1050 | 13 | 63 | 50 | 69 |
| ■ BRENT CRUDE IPE | Sep | Oct | Sep | Oct |
| 1850 | 60 | - | 14 | 48 |
| 1900 | 28 | 66 | 35 | - |
| 1950 | 12 | - | - | - |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

| | | +or- |
|---|---|---|
| Dubai | $17.98-8.07w | +0.06 |
| Brent Blend (dated) | $19.25-9.37 | +0.06 |
| Brent Blend (Sep) | $19.05-9.07 | +0.14 |
| W.T.I. | $20.28-0.29w | +0.075 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $229-235 | +10 |
| Gas Oil | $173-175 | +1 |
| Heavy Fuel Oil | $85-87 | |
| Naphtha | $190-193 | +1 |
| Jet fuel | $189-191 | +2 |
| Diesel | $176-177 | |

■ NATURAL GAS (Pence/therm)

| | | |
|---|---|---|
| Bacton (Aug) | 9.50-9.70 | -0.025 |

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

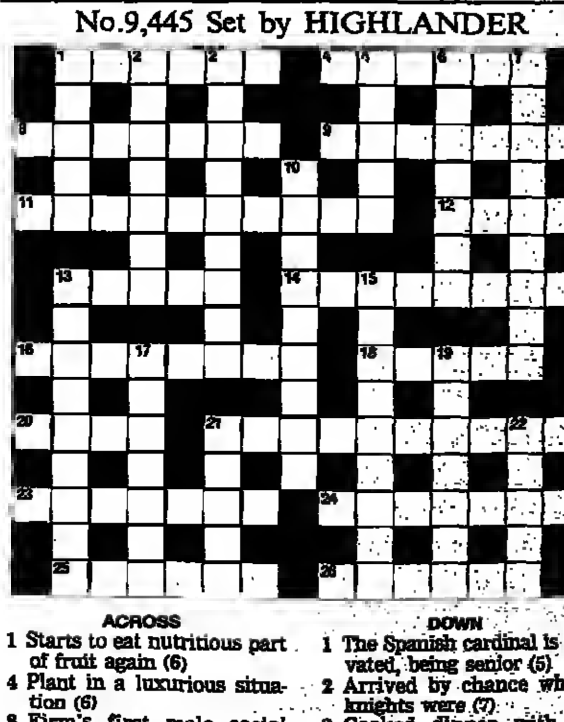
| | | |
|---|---|---|
| Gold (per troy oz)♣ | $323.85 | -0.20 |
| Silver (per troy oz)♣ | 449.00c | +3.00 |
| Platinum (per troy oz.) | $448.00 | +15.00 |
| Palladium (per troy oz.) | $239.00 | +11.50 |
| Copper | 112.0c | -2.0 |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 14.29r | +0.14 |
| Tin (New York) | 283.5 | +4.0 |
| Cattle (live weight) | 97.41p | -0.93* |
| Sheep (live weight) | 109.00p | +2.73* |
| Pigs (live weight)† | 80.13p | -11.68* |
| Lon. day sugar (raw) | $283.80 | -1.80 |
| Lon. day sugar (wte) | $343.00 | -1.80 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | £109.00 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Sep)♥ | 62.75p | |
| Rubber (Oct)♥ | 62.75p | |
| Rubber (KL RSS No1) | 250.5x | |
| Coconut Oil (Phil)§ | 580.0y | |
| Palm Oil (Malay.)§ | 485.0z | +2.5 |
| Copra (Phil)§ | $382.5y | -2.5 |
| Soyabeans (US) | 213.0 | +6.0 |
| Cotton Outlook'A' index | 81.55c | |
| Wooltops (64s Super) | 419p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jul/Aug. z Aug. w Sep. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 582 head of pigs sold.

JOTTER PAD

## CROSSWORD

No.9,445 Set by HIGHLANDER



ACROSS
1 Starts to eat nutritious part of fruit again (6)
4 Plant in a luxurious situation (6)
8 Firm's first male social worker (7)
9 Carefully examine young man about disgraceful affair (7)
11 Very clever bridge player shows diamonds (10)
12 Subsidise a work by Verdi (4)
13 Rwandan is upset by sound of disapproval (5)
14 Opposite sides about to divide Semtex out (8)
16 When wrong design is selected (8)
18 Orchestral group runs into vocalist (5)
20 Metal from Zambia limited in US (4)
21 Satisfied one appearing in competition (10)
23 European has to stop netting last of salmon (7)
24 Body in vehicle – a problem for Poirot? (7)
25 Midshipman's jacket (6)
26 Secluded place for break from business (6)

DOWN
1 The Spanish cardinal is elevated, being senior (5)
2 Arrived by chance where knights were (7)
3 Cooked dinner with it, when taking in Ring performance (9)
5 Legally a place in which insect has tail docked (5)
6 Wine label covered by source of relevant crop (7)
7 Send to different location to study women's clothing (9)
10 Insufficiently prepared for eating below – agreed! (9)
13 Witness reported crossfire (9)
15 List where one hears articles used at meals (9)
17 Smoke to annoy? (7)
19 Item in newspaper could be definite grammatically (7)
21 Broadcast explains everything including social system (5)
22 Popular group take refuge in the desert (5)

Solution to Saturday's prize puzzle on Saturday August 16.
Solution to yesterday's prize puzzle on Monday August 18.

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# FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Prices for dealing August 4

Jupiter Asset Management (Bermuda) Ltd

PO Box HM1258, Hamilton, Bermuda 001 809 292 2760

### BERMUDA (REGULATED)(**)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)(**)

### IRELAND (SIB RECOGNISED)

### IRELAND (REGULATED)(**)

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### JERSEY (SIB RECOGNISED)

### JERSEY (REGULATED)(**)

### LUXEMBOURG (SIB RECOGNISED)


The Financial Times plans to publish a Survey on

**Kansai**

on Tuesday September 9

Haj Haffejee in London

Tel. +44 171 873 4784

Fax: +44 171 873 3204

or Patrick Brennan in Tokyo

Tel: +81 3 3295 4050

Fax: +81 3 3295 1264

Or your usual Financial Times representative

FT Surveys

# FT MANAGED FUNDS SERVICE

## Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

### American Phoenix Investment Portfolios (u)
15 rue Goethe, L-1637 Luxembourg 00 352 404640211

| | Init Charge | Notes | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| European Multinational Pflio | | | Ecu25.27 | | -0.44 | - |
| European Multinational Pflio | | | $26.68 | | -0.41 | - |
| European Multinational Pflio | | | £10.39 | | -0.28 | - |
| European Multinational Pflio | | | L46709 | | -852 | - |
| European Multinational Pflio | | | DM49.92 | | -0.57 | - |
| Global Multinational Pflio | | | Ecu24.09 | | -0.04 | - |
| Global Multinational Pflio | | | $25.42 | | -0.37 | - |
| Global Multinational Pflio | | | £15.62 | | -0.12 | - |
| Global Multinational Pflio | | | L46518 | | +49 | - |
| Global Multinational Pflio | | | DM47.59 | | -0.03 | - |
| US Growth Companies | | | $17.08 | | -0.01 | - |
| US Growth Companies | | | £10.69 | | +0.01 | - |
| US Growth Companies | | | L32724 | | +490 | - |
| US Growth Companies | | | DM33.48 | | +0.45 | - |
| US Real Estate Securities | | | $15.95 | | +0.04 | - |
| US Real Estate Securities | | | £9.00 | | +0.02 | - |
| US Real Estate Securities | | | L29165 | | +67 | - |
| US Real Estate Securities | | | DM29.86 | | +0.07 | - |

### BAII Asset Management Ltd
10 Piccadilly, London W1V 0EE 0171 734 3700

| | Init Charge | Notes | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Intermarket NAV Jul 15 F | | | $981.32 | | -1.18 | - |
| Interportfolio Fund | | | | | | |
| Convertible (US$) Jul 16 | | | $775.54 | | — | - |
| Convertible (Ffr) Jul 18 F | | | FFr3348.41 | | — | - |
| Comfort (US$) | 2 | | $540.63 | | - | - |

### Bank Von Ernst & Cie AG
Marktgasse 63/65, 3001 Bern, Switzerland 0041 313291111

| | Init Charge | Notes | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| UK Equity | | | Y17.42 | | -0.01 | - |
| UK Smaller Co's Eqty | | | £25.38 | | - | - |
| Nth American Equity | | | $17.00 | | -0.11 | - |
| US Smaller Co's Eqty | | | $24.59 | | +0.24 | - |
| Pacific Basin Equity | | | $15.33 | | -0.00 | - |
| Japanese Equity | | | Y579 | | -8 | - |
| European Equity | | | DM19.02 | | -0.05 | - |
| Swiss Equity | | | SFr17.16 | | - | - |
| Sterling Fixed Int | | | £10.80 | | -0.06 | - |
| Sterling Fixed Int Div | | | £10.07 | | -0.02 | - |
| European Fixed Int | | | DM13.76 | | -0.01 | - |
| European Fixed Int Div | | | DM9.44 | | -0.01 | - |
| DM Bond Cap | | | DM11.30 | | -0.01 | - |
| DM Short Term Cap | | | DM10.78 | | - | - |
| Global Equity | | | $15.58 | | -0.22 | - |
| Global Bond | | | $13.42 | | -0.10 | - |
| Global Bond Div | | | $9.01 | | -0.05 | - |
| Global Managed | | | DM23.51 | | -0.08 | - |
| Swiss Franc Short Term Div | | | SFr9.80 | | (z) | - |
| Swiss Franc Short Term Cap | | | SFr9.80 | | - | - |
| Swiss Franc Bonds Div | | | SFr9.53 | | (z) | - |
| Swiss Franc Bonds Cap | | | SFr10.23 | | — | - |

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### Frontrunner I (u)
672 rue de Neudorf, Luxembourg 00 352 43887350

| | Init Charge | Notes | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| European Equities | | | Ecu172.86 | | — | - |
| Global Bonds | | | DM101.58 | | — | - |
| Global Bonds | | | DM158.21 | | — | - |
| Sterling Fund | | | £193.79 | | - | - |
| Danish Bonds | | | DKr181.20 | | — | - |
| Swedish Bonds | 5 | | SKr190.03 | | — | - |
| German Bonds | | | DM107.14 | | — | - |
| Dollar Bonds | 5 | | $102.09 | | — | - |
| Scandinavian Equities | | | Ecu262.75 | | — | - |
| Far East Equities | | | $98.45 | | — | - |
| North American Equities | 5 | | $107.46 | | — | - |
| Danish Kroner Reserve | | | DKr111.13 | | — | - |
| Swedish Kroner Reserve | | | SKr118.70 | | — | - |
| German Mark Reserve | | | DM108.20 | | — | - |
| US Dollar Reserve | 5 | | $108.24 | | — | - |
| ECU Reserve | | | Ecu110.92 | | — | - |
| Norwegian Kroner Reserve | | | NKr100.03 | | — | - |
| Garant 2/1998 | 3 | | DM129.79 | | — | - |
| Bonds 2/1998 | 3 | | DM103.05 | | — | - |
| Bonds 2/1999 | | | DM102.15 | | — | - |
| Danish Mortgage Bonds | | | DKr102.59 | | — | - |
| Danish Long Bonds | 3 | | DKr104.15 | | — | - |

### GT Global
(44) 171 710 4567 London (852) 2842 7200 Hong Kong

| | Init Charge | Notes | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| GT Europe A | | | $80.90 | 85.15 | -0.10 | 0.00 |
| GT Europe A | | | £49.75 | 52.36 | -0.12 | 0.00 |
| GT Europe B | | | $81.13 | | -0.16 | 0.00 |
| GT Europe B | | | £48.89 | | -0.18 | 0.00 |
| GT Investment A | | | $38.28 | 40.30 | — | 0.00 |
| GT Investment A | | | £23.54 | 24.78 | — | 0.00 |
| GT Investment B | | | $38.40 | | +0.06 | 0.00 |
| GT Investment B | | | £23.61 | | +0.05 | 0.00 |
| GT US Small Cos A | | | $39.85 | 41.95 | +0.18 | 0.00 |
| GT US Small Cos A | | | £24.51 | 25.80 | +0.11 | 0.00 |
| GT US Small Cos B | | | $39.99 | | +0.06 | - |
| GT US Small Cos B | | | £24.59 | | +0.12 | 0.00 |

### HSBC Investment Funds Luxembourg SA (u)
7 rue du Marché-aux-Herbes L-1728 Luxembourg
Dealing: 00 352 4761222 Fax: 475556

HSBC Global Investment Funds
International and Regional Funds

| | Init Charge | Notes | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Asian Equity | | | $33.50 | 35.36 | +0.05 | - |
| International Emerging Mkts | | | $11.53 | 12.17 | -0.11 | - |
| International Managed Equity | | | $19.44 | 20.52 | -0.15 | - |
| North American Equity | | | $21.59 | 22.79 | -0.28 | 0.00 |
| Pan-European Equity | | | $18.85 | 19.89 | -0.29 | - |
| Market Specific | | | | | | |
| Chinese Equity | | | $36.50 | 38.53 | +0.18 | - |

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## OFFSHORE INSURANCES

[illegible]

## LUXEMBOURG (REGULATED)(**)

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# FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Swiss Registered Funds** | | | | |
| GAM (CH) Europe | SFr158.10 | | -0.65 | - |
| GAM (CH) Mondial | SFr290.45 | | -2.20 | - |
| GAM (CH) Pacific | SFr339.80 | | -2.46 | - |
| **SEC Registered Funds** | | | | |
| GAMerica Capital | $13.12 | | -0.02 | - |
| GAM Asian Capital | $10.03 | | | - |
| GAM Europe | $14.81 | | -0.05 | - |
| GAM Global A | $19.63 | | -0.13 | - |
| GAM Global D | $19.35 | | +0.12 | - |
| GAM International A | $30.65 | | -0.17 | - |
| GAM International D | $30.53 | | -0.17 | - |
| GAM Japan Capital | $11.20 | | -0.08 | - |
| GAM North America | $11.45 | | -0.12 | - |
| GAM Pacific Basin A | $18.75 | | -0.11 | - |
| GAM Pacific Basin D | $18.66 | | -0.11 | - |

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| JF Global Securities Tst | $28.72 | 30.39 | -0.11 | - |
| JF International Bond | $10.48 | 10.87 | -0.04 | - |
| JF Managed Currency Fd | $15.30 | 16.28 | +0.04 | - |
| **JF Masterfund** | | | | |
| JF Asia Growth Pfolio | $9.07 | 9.61 | -0.04 | - |
| JF Intl Growth Pfolio | $12.66 | 13.40 | -0.07 | - |
| JF Money Fund - US$ | $109.31 | 109.31 | +0.04 | 5.20 |
| JF Money Fund - Yen | Y1000.32 | 1000.32 | — | 0.02 |
| JF Money Fund - DM | DM104.94 | 104.94 | +0.02 | 2.48 |
| JF Money Fund - £ | £110.25 | 110.25 | +0.05 | 6.37 |
| JF Money Fund - SFr | SFr102.23 | 102.23 | +0.01 | 0.87 |
| JF Money Fund - Ecu | Ecu106.90 | 106.90 | +0.03 | 3.54 |
| JF Money Fund - C$ | C$106.56 | 106.56 | +0.02 | 2.85 |
| JF Money Fund - A$ | A$111.43 | 111.43 | +0.04 | 4.53 |
| JF Money Fund - HK$ | HK$109.23 | 109.23 | +0.05 | 6.01 |

The Financial Times plans to publish a Survey on

**World Economy & Finance**

on Friday, September 19

This survey is published to coincide with the IMF & World Bank meetings.

For further information, please contact:

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or your usual Financial Times representative

FT Surveys

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Global Atic Inc** | | | | |
| NAV Jul 29 | $1089.77 | | — | - |
| **Global Convertible Megatrend** | | | | |
| NAV Jun 30 | $134.45 | | — | - |
| **The Global Managed Investec Bond Limited** | | | | |
| Global Growth | $1.174 | 1.233 | — | 0.00 |
| US Dollar Managed | $1.143 | 1.201 | — | 0.00 |
| European Managed | DM1.175 | 1.234 | — | 0.00 |
| Sterling Managed | £1.130 | 1.183 | — | 0.00 |
| **Global Portfolio (BVI) Management Ltd** | | | | |

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Jardine Fleming Unit Trusts Ltd - Contd.** | | | | |
| **JF Capital Guaranteed Master Series** | | | | |
| Hong Kong Index Sub Fund | $11.25 | | -0.01 | - |
| Tokyo Index Sub Fund | $9.00 | 9.83 | -0.08 | - |
| New York Index Sub Fund | $10.49 | | — | - |
| DEM Bull Sub Fund | $9.48 | | — | - |
| DEM Bear Sub Fund | $13.12 | | +0.10 | - |
| Yen Bull Sub Fund | $8.84 | 9.52 | -0.01 | - |
| Yen Bear Sub Fund | $12.65 | | +0.15 | - |
| USD Account | $100.77 | 115.07 | +0.04 | 5.20 |
| **Limited Issue Funds** * | | | | |
| JF Far Eastern Wrnts Tst | $17.28 | 18.28 | -0.31 | - |
| JF Guaranteed Currency Tst | $10.13 | | | - |

OTHER OFFSHORE FUNDS

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

| | Notes | Price | + or - | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Allied Domecq | ♣N | 442½ | -4½ | 492 | 407½ | 4,597 | 6.1 | 13.3 |
| Bulmer (HP) | ♣ | 427½ | -2½ | 626 | 410 | 225.7 | 4.3 | 11.7 |
| Burn St Dist | ♣ | 91½ | - | 181 | 40½ | 24.6 | 10.2 | 10.3 |
| Glenmorangie A | - | 959 | - | 1049 | 740 | 129.2 | 1.7 | 23.5 |
| B | | 1075 | | 1149 | 965 | 43.0 | 0.8 | 53.1 |
| Grand Met | ♣♦TN | 589½xd | -2½ | 631 | 425½ | 12,432 | 3.2 | 18.9 |
| Guinness | ♣♣♦ | 585 | +3 | 627 | 424 | 11,086 | 3.4 | 18.7 |
| Highland | ♣† | 322½ | -2 | 380 | 321½ | 490.2 | 3.3 | 15.1 |
| 5¼pc Cnv Bds | | 89¼ | -½ | 181½ | 87 | 43.7 | 6.4 | - |
| Kirin Y | | 581¼ | +5¼ | 738¼ | 466¼ | 5,909 | 1.1 | - |
| Matthew Clark | ♣♦ | 237½xd | +6 | 700 | 233½ | 210.2 | 12.6 | 7.5 |
| Merrydown | ♣ | 80xd | - | 123½ | 52½ | 6.54 | 6.5 | 14.8 |
| Seagram C$ | | 2223¼ | +¼ | 2251¼ | 1211½ | 8,360 | 1.3 | - |

## BANKS, RETAIL

[illegible]

## BREWERIES, PUBS & REST

[illegible]

## BUILDING & CONSTRUCTION

[illegible]

## BUILDING MATS. & MERCHANTS

[illegible]

## CHEMICALS

[illegible]

## CHEMICALS - Cont.

[illegible]

## DISTRIBUTORS

[illegible]

## DIVERSIFIED INDUSTRIALS

[illegible]

## ELECTRICITY

[illegible]

## ELECTRONIC & ELECTRICAL EQPT

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING - Cont.

[illegible]

## ENGINEERING, VEHICLES

[illegible]

## EXTRACTIVE INDUSTRIES

[illegible]

## EXTRACTIVE INDUSTRIES - Cont.

[illegible]

## FOOD PRODUCERS

[illegible]

## GAS DISTRIBUTION

[illegible]

## HEALTH CARE

[illegible]

## HEALTH CARE - Cont.

[illegible]

## HOUSEHOLD GOODS

[illegible]

## INSURANCE

[illegible]

## INVESTMENT TRUSTS

[illegible]

## INVESTMENT TRUSTS - Cont.

[illegible]

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[illegible]

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[redacted]



# LONDON SHARE SERVICE

## OTHER INVESTMENT TRUSTS

[illegible]

## INVESTMENT COMPANIES

[illegible]

## LEISURE & HOTELS

[illegible]

## LIFE ASSURANCE

[illegible]

## MEDIA

[illegible]

## MEDIA - Cont.

[illegible]

## OIL EXPLORATION & PRODUCTION

[illegible]

## OIL, INTEGRATED

[illegible]

## OTHER FINANCIAL

[illegible]

## PAPER, PACKAGING & PRINTING

[illegible]

## PHARMACEUTICALS

[illegible]

## PROPERTY

[illegible]

## PROPERTY - Cont.

[illegible]

## RETAILERS, FOOD

[illegible]

## RETAILERS, GENERAL

[illegible]

## RETAILERS, GENERAL - Cont.

[illegible]

## SUPPORT SERVICES

[illegible]

## SUPPORT SERVICES - Cont.

[illegible]

## TELECOMMUNICATIONS

[illegible]

## TEXTILES & APPAREL

[illegible]

## TOBACCO

[illegible]

## TRANSPORT

[illegible]

## WATER

[illegible]

## AIM

[illegible]

## AIM - Cont.

[illegible]

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the CS Official List.

## AMERICANS

[illegible]

## CANADIANS

[illegible]

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Toronto-Dom C$ | 19½ | [illegible] | 19½ | 12½ | 5,896 | 2.6 | |
| Trans Can Pipe C$ ♥ | 12½ | [illegible] | 12½ | 10½ | 2,654 | 4.2 | |
| Western Star Trucks C$ | 18½ | [illegible] | 21½ | 14½ | 211.2 | - | |


♣

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## SOUTH AFRICANS

| | Notes | Price | + or - | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind R | | £27½ | | *£27½ | £20¼ | 2,091 | 2.6 | ɸ |
| Barlow | ♣† | £7½ | -½ | £7½ | £6¼ | 1,598 | [illegible] | 15.5 |
| Gold Fids Prop R | † | 184½ | – | 188½ | [illegible] | 18.9 | 4.6 | 14.4 |
| SA Brews | | £19½ | -½ | £19½ | £13¼ | 5,710 | 2.0 | ɸ |
| Standard Bank | | £28¼ | -½ | £30 | £21 | 3,456 | [illegible] | ɸ |
| Tiger Oats | † | 1030 | -1½ | 1100 | 790 | 1,557 | [illegible] | 20.0 |
| Tongaat-Hulett | | 755 | -2½ | 798½ | 676¼ | 733.0 | 3.5 | ɸ |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- ♯ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield excludes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a [illegible]

FD Foreign income Dividend. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

**Abbreviations:** xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

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LONDON STOCK EXCHANGE

# Interest rate pessimism weighs on shares

MARKET REPORT

By Philip Coggan
Markets Editor

Anotbsr well-received set of results from a big bank failed to lift shares in London in the face of a generally negative international hackground yesterday. with traders nervous about the direction of interest rates in the US, Germany and the UK.

As the market started a week which will see the monetary policy committee decide whether to push up UK interest rates again, there was some early volatility for ths FTSE 100 index. Footsie hit its low for the day, down 25.3 at 4,874, just before 9am, before rebounding more than 30 points to the session bigb, 4,907.2, within 25 minutes.

An early fall on Wall Street, after Friday's economic statistics which suggested that the Federal Reserve might yet bave to raise interest rates this year, weighed oo sentimeot. The Dow Jones Industrial Average was down 50 points at one stage before recovering to be 10 points off when London closed.

European bourses were also depressed, amid some fear that the Bundesbank might be forced to raise German interest rates to defend the D-Mark, which bas been dropping sharply against tbe US dollar.

Gilts were weak, with the benchmark 10-year issue down by around a quarter of a point. And the market got no relief from sterling, which continued to hover around DM3.04.

All this weighed on sbare prices, with Footsie ending 3.6 points off at 4,895.7. The FTSE 250 index closed 3.4 lower at 4,485.0, while the SmallCap index dropped 0.1 to 2,188.6.

Ths market was spared one adverse psychological factor, bowever. Late last week, FTSE International decided to postpone until September the move from quoting dividends on a net, rather than a gross, basis after the abolition of tax credits in tha Budget.

The change, which would have reduced the qnoted yield on the All-Share index below 3 per cent, was scheduled to start from yesterday. The new plan is to quote yields in both gross and net terms.

Once again, mnch market activity was spurred by corporate results. HSBC, like Lloyds TSB on Friday, soared on the hsck of its figures, continuing the outperformance of financial stocks which has characterised 1997. The rise in HSBC was equivalsnt to more than 6 polnts on the Footsie.

Figures from Pearson, the media conglomerate which owns the Financial Times, were also well received bnt the effect of sterling on results from British Airways meant that the airline's shares were the worst performers in Footsie.

Mr Robert Buckland, UK strategist at HSBC James Capel, said: "It's the same old story. Sterling continnes to hurt some groups and and market leadership remains with many of the same stocks."

Volume was subdued as the holiday season started to get into full swing. Only 599.2m shares were traded by the 6pm count, of which 51 per cent was in non-Footsie stocks.

## Strike costs hurt BA

A cloud descended over British Airways as the market registered its shock at the news that costs for the current industrial dispute will reach £125m, well above analysts' most pessimistic estimates.

The warning came at a post-results meeting at which the company revealed a £55m decline in first-quarter operating profits to £140m – a performance dented by the strong pound, although the headline figure rose from £150m to £220m.

Shares in ths carrier tumbled as analysts rushed to downgrade current-year profit estimates to reflect the new figures, the higher than expected cost of the strike and the disappointing operating profits. By the close, the shares had surrendered 30 or 4.7 per cent to 610p, the worst performers in the FTSE 100.

UBS, the company's broker, was among a long list to cut its forecast. The broker, which last downgraded less than two weeks ago, reduced its current-year estimate by another £60m to £520m before disposals.

Dealers said the stock could underperform over the next few weeks unless there was a formal resolution to end the industrial action or unless BA's planned merger with American Airlines was cleared by UK, European and United States authorities.

A sharply-improved dividend from HSBC sent tbs market heavyweight up 120 points at one stage and pulled the rest of the FTSE 100 index with it.

The bank, which has a market valuation approaching £60m and has seen its share price jump more than 70 per cent since the start of the year, maintained its momentum with a 33 per cent dividend increase and a 13 per cent profit rise.

Analysts who had started to become nervous about the spectacular performance of the sbares were forced to reconsider.

Full-year forecasts, which had been in a range of £4.6hn to £5bn for the current year, were consolidating firmly around the top end of the range.

Panmure Gordon issued a strong "huy" recommendation, arguing that the shares could easily reach £26.

And Mr Richard Coleman, of Merrill Lynch, commented enthusiastically: "This is probably the first set of figures from HSBC in which – with the sole exception of investment banking – every area of the bank has been firing on all cylinders."

By the close of trading, a certain amount of caution had returned. There was a feeling that the annualised dividend rise might be closer to 25 per cent and the 75p shares ended 44½ higher at £22.39.

Bullish comments from Pearson helped the media conglomerate, which owns the Financial Times, shrug off some of its recent weakness.

The shares have underperformed the FTSE All-Share index by 15 per cent since late April and yesterday they clawed back 4 per cent to close up 26½ at 692¼p.

Profits were broadly in line with the underlying consensus forecast. However, the pledge by Mrs Marjorie Scardino, the chief executive, to achieve double-digit annual earnings growth and double the value of the company within five years was welcomed hy the market.

Ms Lorna Tilbian, of Panmure Gordon, said: "The company has now nailed its colours to the mast. Since 1989, Pearson has only achieved nominal growth of 3.1 per cent a year. That transiates to real compound growth of minus 0.5 per cent. Now it has promised to more than treble its earnings per share growth."

Pre-results dividend-related trading led to some chunky volume in Shell Transport. The oil major is sxpected to announce net profits of around £1.26bn for the second quarter against £1.18hn last time. A weaker underlying oil price is expected to be offset hy cheaper production costs and wider margins for its downstream chemical side. The shares closed 5¼ hetter at 444½p with 27m traded.

BP, which reports today, ended 3½ up at 822p. The company is more exposed than Shell to the vagaries of the oil price and is forecast to report replacsment cost net income ranging from £580m to £690m.

Zeneca avoided a weak trend in leading pharmaceutical stocks during early trading as the market responded to product approval. But the stock succumbed later in the day after Wall Street opened lower and closed 16½ off at £20.02½.

Zeneca announced it had received UK approval to market Seroquel, a schizophrenia treatment.

The approval follows a green light from the US Food and Drug Administration on Friday for a treatment forecast to achieve sales of $500m a year within the next few years.

Shire Pharmacenticals gsined 8 to 249½p as the market registered its approval of the company's intended acquisition of Richwood of tha US for £113m. Richwood deals with neurological disorders, especially hyperactivity in children.

Shares in British Biotech lost ground during the morning in response to a press article suggesting that the company was in dispute with Roche of Switzerland over the patent for Marimastat, its cancer treatment. However, the company said the patent had been granted in the UK and Europe and "allowed" in the US.

The stock recovered to end 5 higher at 157½p.

Flextech, the cable service provider, shed almost 20p in response to a weekend press story that Mr Roger Luard, the chief executive and one of the founders, was leaving the company.

Flextech said yesterday that there was no truth in the story and the shares came off the bottom to end the day 17 off at 636p.

Selected water stocks slipped back as HSBC James Capel downgraded United Utilities and Wessex Water and reiterated its "sell" recommendation on Anglian Water. United were down 10 at 693½p, Wessex 16½ at 462½p and Anglian 19½ at 771½p.

US buying of British Steel, particularly in the second half of the session, helped the shares harden 4¾ to 166¾p. Volume was 9.6m.

LncasVarity continued to be a good trade following a recommendation from Morgan Stanley. The shares gained another 3¼ to 196p.

Inspec, the speciality chemicals group, lifted 11½ to 190½p ahead of interim figures today.

Household goods gronp Reckitt & Colman rose 20½ to 985½p while Unilavar hardened 17 to £18.38½. SocGen is believsd to have advised clients tn switch out of the latter and into the former, citing a more favourable price/earnings ratio at Reckitt.

### FT 30 INDEX

| | Aug 4 | Aug 1 | Jul 31 | Jul 30 | Jul 29 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 3081.5 | 3092.2 | 3101.5 | 3110.5 | 3088.3 | 2775.1 | 3128.1 | 2668.8 |
| Ord. div. yield | 3.54 | 3.53 | 3.52 | 3.52 | 3.55 | 4.10 | 4.22 | 3.50 |
| P/E ratio net | 18.25 | 18.30 | 18.36 | 18.36 | 18.24 | 16.34 | 18.96 | 15.80 |
| P/E ratio nil | 18.06 | 18.12 | 18.17 | 18.17 | 18.06 | 16.18 | 18.78 | 15.71 |

FT 30 since compilation: high 3128.1 16/07/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 3089.0 | 3078.2 | 3075.0 | 3080.8 | 3078.6 | 3080.2 | 3075.0 | 3075.0 | 3078.8 | 3091.4 | 3074.1 |

| | Aug 4 | Aug 1 | Jul 31 | Jul 30 | Jul 29 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 46,865 | 48,956 | 46,124 | 44,714 | 47,362 | 33,461 |
| Equity turnover (£m)† | - | NA | NA | NA | 2374.0 | 1390.3 |
| Equity bargains† | - | NA | NA | NA | 44,109 | 39,081 |
| Shares traded (m)† | - | NA | NA | NA | 699.3 | 507.0 |

†Excluding intra-market and overseas turnover but including Crest turnover.
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■ London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 622 | Total Highs | 108 | Total contracts | 18,928 |
| Total Falls | 787 | Total Lows | 92 | Calls | 8,671 |
| Same | 1,672 | | | Puts | 8,257 |

0Aug 4 *Data based on Equity shares listed on the London Share Service.


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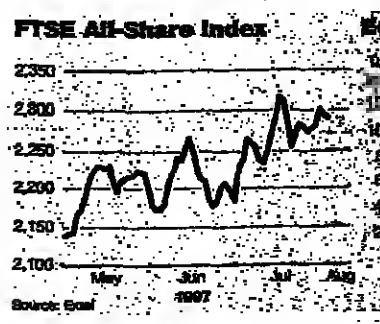
### FTSE All-Share Index




### Equity shares traded


### Indices and ratios

| | | | | | |
|---|---|---|---|---|---|
| FTSE 100 | 4895.7 | -3.6 | FT 30 | 3081.5 | -10.7 |
| FTSE 250 | 4485.0 | -3.4 | FTSE Non-Fins p/e | 19.08 | 19.21 |
| FTSE 350 | 2346.8 | -1.7 | FTSE 100 Fut Sep | 4905.0 | +34.0 |
| FTSE All-Share | 2290.40 | -1.57 | 10 yr Gilt yield | 7.11 | 7.08 |
| FTSE All-Share yield | 3.41 | 3.38 | Long gilt/equity yld ratio | 2.09 | 2.08 |

**Best performing sectors**

1 Household Goods +1.5
2 Engineering: Vehicles +0.8
3 Oil: Integrated +0.8
4 Mineral Extraction +0.7
5 Health Care +0.4

**Worst performing sectors**

1 Water -1.6
2 Transport -1.2
3 Electronic & Elect -1.0
4 Insurance -0.8
5 Electricity -0.7

## FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 4885.0 | 4900.0 | +21.0 | 4914.0 | 4861.0 | 6894 | 73420 |
| Dec | 4940.0 | 4963.0 | +21.0 | 4948.0 | 4940.0 | 50 | 5077 |
| Mar | - | 5006.0 | +21.0 | - | - | 0 | 91 |

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | | 4526.0 | -4.0 | | | 0 | 7116 |

■ FTSE 100 INDEX OPTION (LIFFE) (*4900) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 4725 C | 4725 P | 4775 C | 4775 P | 4825 C | 4825 P | 4875 C | 4875 P | 4925 C |
|---|---|---|---|---|---|---|---|---|---|
| Aug | 174 | 15 | 133 | 24 | 97 | 37½ | 66½ | 57 | 42½ |
| Sep | 294 | 60½ | 198½ | 75 | 168 | 91½ | 137 | 112½ | 111½ |
| Oct | 274 | 84 | 240 | 99 | 207½ | 115½ | 177½ | 135 | 151 |
| Dec | 348½ | 117½ | | | 284½ | 150 | | | 226 |
| Mar† | 424 | 154 | | | 381 | 186½ | | | 302½ |

Calls 812 Puts 4,664 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1997 High | 1997 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| § | F.P. | 4,653 | 225 | 220½ | Billiton | 223½ | | RO10c | 1.8 | 2.7 | 22.8 |
| - | F.P. | 135.3 | 108½ | 101 | Bristol & W Prf | 108¼ | +1 | - | - | - | - |
| §100 | F.P. | 25.0 | 122½ | 109½ | Cammell Laird | 117½ | | L3.8 | 2.1 | 4.0 | 11.3 |
| §280 | F.P. | 15.9 | 275 | 265 | Delcam | 269 | | L2.5 | 4.4 | 1.2 | 24.3 |
| | F.P. | - | 115 | 114 | EMI B | 115 | | Z2.75 | - | 3.1 | - |
| §3 | F.P. | 4.61 | 3¾ | 3½ | †Fairplace Cnsltg | 3¾ | | - | - | - | - |
| §150 | F.P. | 239.5 | 202 | 182½ | Galen Hldgs | 197½ | -2 | L0.9 | 5.7 | 0.6 | 31.8 |
| § | F.P. | 22.0 | 162½ | 117½ | Gremlin Group | 117½ | -4 | R3.5 | 3.2 | 3.7 | 9.1 |
| §125 | F.P. | 8.19 | 136 | 105½ | †Helicon Publsg | 105½ | -2 | - | - | - | - |
| §136 | F.P. | 63.0 | 149½ | 142½ | Hitachi Cred UK | 148½ | | L4.3 | 1.4 | 3.6 | 24.5 |
| § | F.P. | 578.0 | 399½ | 382 | Ionica | 385½ | -2½ | - | - | - | - |
| §160 | F.P. | 17.0 | 175½ | 172½ | †Kingfisher Lels | 175½ | | LW2.0 | 6.0 | 1.4 | 14.6 |
| §173 | F.P. | 48.5 | 217½ | 185½ | Metroline | 218½ | +7½ | R5.8 | 2.8 | 3.3 | 13.0 |
| 100 | F.P. | 32.7 | 112½ | 98½ | Realbourne Merlin | 108½ | | - | - | - | - |
| §100 | F.P. | 7.49 | 120½ | 105½ | †SBS Group | 105½ | | L2.4 | 2.0 | 2.8 | 18.6 |
| § | F.P. | 57.8 | 140½ | 136½ | Ted Baker | 140 | | L3.49 | 0.1 | 3.1 | - |
| | F.P. | - | 22¾ | 19½ | Thorn B | 20½ | | - | - | - | - |
| - | F.P. | 78.9 | 67½ | 62½ | Viglen Tech | 64½ | | - | - | - | - |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

### FTSE GOLD MINES INDEX

| | Aug 1 | % chg on day | Jul 31 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (31) | 1407.81 | -0.5 | 1414.15 | 2011.59 | 2.26 | - | 2074.81 | 1270.14 |
| ■ Regional Indices | | | | | | | | |
| Africa (14) | 1394.89 | -2.4 | 1429.03 | 2859.15 | 5.56 | 22.90 | 2775.96 | 1324.06 |
| Australasia (9) | 1565.80 | +0.1 | 1564.49 | 2302.16 | 3.37 | 18.08 | 2455.10 | 1338.10 |
| North America (11) | 1404.93 | +0.1 | 1403.56 | 1789.78 | 1.00 | 71.34 | 1861.48 | 1244.23 |

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### FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

| | Aug 4 | Day's chge% | Aug 1 | Jul 31 | Jul 30 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 4895.7 | -0.1 | 4899.3 | 4907.5 | 4927.3 | 3788.3 | 3.36 | 2.20 | 16.90 | 82.36 | 2091.25 |
| FTSE 250 | 4485.0 | -0.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE 250 ex IT | 4475.5 | -0.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE 350 | 2346.8 | -0.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE 350 ex IT | 2347.4 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE 350 Higher Yield | 2246.5 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE 350 Lower Yield | 2448.2 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE SmallCap | 2188.64 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE SmallCap ex IT | 2145.22 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE All-Share | 2290.40 | -0.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE All-Share ex IT | 2290.64 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

[illegible]

FTSE INTERNATIONAL

### TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

# WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

AUSTRIA (Aug 4 / Sch)

BELGIUM/LUXEMBOURG (Aug 4 / Frs.)

CZECH REP (Aug 4 / Korun)

DENMARK (Aug 4 / Kr)

FINLAND (Aug 4 / Mk)

FRANCE (Aug 4 / Frs.)

GERMANY (Aug 4 / Dm.)

GREECE (Aug 4 / Drachma)

ITALY (Aug 4 / Lire)

NETHERLANDS (Aug 4 / Fls.)

NORWAY (Aug 4 / Kroner)

POLAND (Aug 4 / Zloty)

PORTUGAL (Aug 4 / Escudo)

SPAIN (Aug 4 / Pts.)

SWEDEN (Aug 4 / Kronor)

SWITZERLAND (Aug 4 / Frs.)

TURKEY (Aug 4 / Tk Lira)

PACIFIC

JAPAN (Aug 4 / Yen)

HONG KONG (Aug 4 / H.K.$)

INDONESIA (Aug 4 / Rupiah)

MALAYSIA (Aug 4 / MYR)

NEW ZEALAND (Aug 4 / NZ $)

SINGAPORE (Aug 4 / S$)

AUSTRALIA (Aug 4 / Aust$)

SOUTH KOREA (Aug 4 / Won)

TAIWAN (Aug 4 / TW $)

THAILAND (Aug 4 / Baht)

MONTREAL (Aug 4 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Aug 4 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 1 / Can $)
Closed Aug 4


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## INDICES

| | Aug 4 | Aug 1 | Jul 31 | 1997 High | | 1997 Low | |
|---|---|---|---|---|---|---|---|
| **Argentina** | | | | | | | |
| General(29/12/77) | (c) | 24371.52 | 24602.28 | 24834.07 | 29/7 | 0.00 | 9/7 |
| **Australia** | | | | | | | |
| All Ordinaries(1/1/80) | 2706.0 | 2727.5 | 2735.1 | 2746.80 | 2/7 | 2352.20 | 1/4 |
| All Mining(1/1/80) | 858.5 | 862.20† | 868.3 | 987.10 | 24/2 | 831.10 | 8/7 |
| **Austria** | | | | | | | |
| Credit Aktien(30/12/84) | 465.85 | 468.82 | 468.42 | 468.82 | 1/8 | 374.40 | 9/1 |
| Traded Index(2/1/91) | 1452.11 | 1471.46 | 1460.49 | 1460.49 | 31/7 | 1130.22 | 9/1 |
| **Belgium** | | | | | | | |
| BEL20(1/1/91) | 2470.34 | 2536.04 | 2570.30 | 2621.98 | 28/7 | 1871.05 | 2/1 |
| **Brazil** | | | | | | | |
| Bovespa(29/12/83) | (c) | 12258.0 | 12872.0 | 13617.00 | 8/7 | 8855.00 | 2/1 |
| **Canada** | | | | | | | |
| Metals Minls♦(1975) | (c) | 5412.04 | 5438.49 | 5881.75 | 10/3 | 4945.96 | 11/4 |
| Composite♦(1975) | (c) | 6851.10 | 6877.88 | 6877.88 | 31/7 | 5679.30 | 14/4 |
| Portfolio§§(4/1/83) | (u) | 3436.47 | 3450.21 | 3452.64 | 30/7 | 2846.02 | 11/4 |
| **Chile** | | | | | | | |
| IGPA Gen♥(31/12/80) | (u) | 5735.17 | 5708.70 | 5868.71 | 4/7 | 4812.42 | 2/1 |
| **Denmark** | | | | | | | |
| CopenhagenSE(3/1/83) | 641.52 | 646.87 | 645.99 | 668.28 | 17/7 | 470.14 | 2/1 |
| **Finland** | | | | | | | |
| HEX General(28/12/90) | 3632.86 | 3608.98 | 3615.97 | 3632.86 | 4/8 | 2483.28 | 2/1 |
| **France** | | | | | | | |
| SBF 250(31/12/90) | 1982.36 | 1990.58 | 2003.43 | 2003.43 | 31/7 | 1533.18 | 2/1 |
| CAC 40(31/12/87) | 2992.41 | 3049.44 | 3075.67 | 3075.67 | 31/7 | 2258.97 | 2/1 |
| **Germany** | | | | | | | |
| FAZ Aktien(31/12/58) | 1446.00 | 1470.79 | 1481.44 | 1481.44 | 31/7 | 986.21 | 2/1 |
| Commerzbank(1/12/53) | 4229.20 | 4305.30 | 4336.70 | 4336.70 | 31/7 | 2875.98 | 2/1 |
| DAX‡(30/12/87) | 4296.94 | 4408.79 | 4438.93 | 4438.93 | 31/7 | 2848.77 | 2/1 |
| **Greece** | | | | | | | |
| Athens SE(31/12/80) | 1586.85 | 1591.45 | 1586.34 | 1727.70 | 23/5 | 954.54 | 2/1 |
| **Hong Kong** | | | | | | | |
| Hang Seng(31/7/64) | 16259.59 | 16379.22 | 16365.71 | 16379.22 | 1/8 | 12055.17 | 3/4 |
| **India** | | | | | | | |
| BSE Sens.(1979) | 4465.37 | 4347.32 | 4305.76 | 4465.37 | 4/8 | 3225.24 | 2/1 |
| **Indonesia** | | | | | | | |
| Jakarta Comp.(10/8/82) | 718.70 | 721.77 | 721.27 | 740.83 | 8/7 | 631.27 | 15/4 |
| **Ireland** | | | | | | | |
| ISEQ Overall(4/1/88) | (c) | 3876.54† | 3887.00 | 3887.00 | 31/7 | 2725.07 | 2/1 |
| **Italy** | | | | | | | |
| Banca Comm Ital(1972) | 904.14 | 917.18 | 928.19 | 959.18 | 23/7 | 642.56 | 2/1 |
| MIB General(2/1/97) | 1359.0 | 1379.0 | 1395.0 | 1442.00 | 23/7 | 991.08 | 2/1 |
| **Japan** | | | | | | | |
| Nikkei 225(16/5/49) | 19668.07 | 19804.38 | 20331.43 | 20681.07 | 18/6 | 17303.65 | 10/1 |
| Nikkei 300(1/10/82) | 292.16 | 295.49 | 301.93 | 303.71 | 28/7 | 251.04 | 27/1 |
| Topix(4/1/68) | 1497.26 | 1512.79 | 1544.04 | 1560.28 | 26/6 | 1320.82 | 10/4 |
| 2nd Section(4/1/68) | 1734.94 | 1762.57 | 1769.29 | 1849.25 | 30/6 | 1518.50 | 15/4 |
| **Malaysia** | | | | | | | |
| KLSE Comp.(4/4/86) | 978.56 | 1002.63 | 1012.84 | 1271.57 | 25/2 | 978.56 | 4/8 |
| **Mexico** | | | | | | | |
| IPC(Nov 1978) | (u) | 5067.03 | 5067.83 | 5067.83 | 31/7 | 3359.48 | 2/1 |
| **Netherland** | | | | | | | |
| CBS TtlRtnGen(End 83) | 1150.5 | 1145.8 | 1150.7 | 1158.10 | 28/7 | 730.80 | 2/1 |
| CBS All Shr(End 83) | 684.7 | 662.0 | 684.8 | 688.00 | 28/7 | 429.00 | 2/1 |
| **New Zealand** | | | | | | | |
| Cap. 40(1/7/86) | 2558.78 | 2574.63 | 2571.98 | 2575.52 | 30/7 | 2207.48 | 1/4 |
| **Norway** | | | | | | | |
| Oslo SE(Ind)(2/1/83) | 2132.32 | 2128.98 | 2134.14 | 2134.14 | 31/7 | 1638.03 | 2/1 |
| **Philippines** | | | | | | | |
| Manila Comp(2/1/85) | 2639.53 | 2635.64 | 2616.40 | 3447.80 | 3/2 | 2409.38 | 20/5 |
| **Portugal** | | | | | | | |
| BVL 30(4/1/93) | 3484.99 | 3485.73 | 3469.84 | 3485.73 | 1/8 | 2165.67 | 2/1 |
| **Singapore** | | | | | | | |
| SES All-S'pore(2/4/75) | 495.62 | 496.88 | 498.30 | 573.03 | 17/2 | 479.94 | 29/4 |
| **South Africa** | | | | | | | |
| JSE Gold(28/9/78) | 970.1♥ | 963.7 | 981.4 | 1588.10 | 27/2 | 903.90 | 7/7 |
| JSE Ind.(28/9/78) | 9110.2♥ | 9145.5 | 9150.5 | 9150.50 | 31/7 | 7858.50 | 2/1 |
| **South Korea** | | | | | | | |
| KoreaCompEx**(4/1/80) | 734.19 | 731.45 | 728.12 | 792.29 | 17/6 | 611.05 | 7/1 |
| **Spain** | | | | | | | |
| Madrid SE(30/12/85) | 583.72 | 592.61 | 598.70 | 628.15 | 7/7 | 434.54 | 2/1 |
| **Sweden** | | | | | | | |
| AffarsvardnGen(1/2/37) | 3179.0 | 3200.0 | 3192.2 | 3232.28 | 16/7 | 2378.50 | 2/1 |
| **Switzerland** | | | | | | | |
| SMI Index(1/7/88) | 5771.0 | (c) | 5898.2 | 6012.80 | 8/7 | 3822.90 | 7/1 |
| SPI General(1/6/87) | 3685.87 | (c) | 3752.86 | 3768.79 | 8/7 | 2508.22 | 6/1 |
| **Taiwan** | | | | | | | |
| WeightedPr.**(30/6/66) | 10065.76 | 10001.56 | 10086.35 | 10086.35 | 31/7 | 6844.75 | 6/1 |
| **Thailand** | | | | | | | |
| Bangkok SET(30/4/75) | 663.62 | 652.04 | 665.62 | 858.97 | 22/1 | 464.77 | 19/6 |
| **Turkey** | | | | | | | |
| IMKB Nat 100(1986) | 2036.0 | 1973.00 | 1953.00 | 2043.00 | 14/7 | 985.00 | 2/1 |
| **WORLD** | | | | | | | |
| MS Capital Int$(1/1/70) | (u) | 970.6* | 981.8 | 981.00 | 31/7 | 794.50 | 14/4 |
| **CROSS-BORDER** | | | | | | | |
| Eurotrack 100(26/10/90) | 2747.92 | 2783.12 | 2781.29 | 2783.12 | 1/8 | 1893.80 | 2/1 |
| FTSE E 100(26/6/90) | 2291.39 | 2316.93 | 2315.84 | 2319.55 | 30/7 | 1582.99 | 2/1 |
| HSBC JC Drgn(31/12/88) | (u) | 433.63 | 434.43 | 434.43 | 31/7 | 381.69 | 29/4 |
| ING Brngs. Emrg(7/1/92) | 190.89 | 192.72 | 193.60 | 196.81 | 9/7 | 159.74 | 3/1 |

## INDEX FUTURES

| | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **CAC-40 (MATIF/MONEP) (200 x Index)** | | | | | | | |
| Aug | 3050.0 | 2997.0 | -56.0 | 3055.0 | 2986.0 | 12,647 | 29,098 |
| Sep | 3058.0 | 3005.0 | -56.0 | 3083.0 | 3002.0 | 1,170 | 23,670 |
| **DAX** | | | | | | | |
| Sep | 4400.0 | 4325.5 | -32.5 | 4405.0 | 4290.0 | 18,868 | 94,964 |
| Dec | 4427.5 | 4359.0 | -33.0 | 4427.5 | 4331.0 | 62 | 2,844 |
| **OMX** | | | | | | | |
| Aug | 2580.00 | 2579.00 | -15.00 | 2587.00 | 2572.00 | 3,598 | 22,026 |
| Sep | 2598.75 | 2594.00 | -0.75 | 2598.75 | 2594.00 | 30 | 906 |
| **SOFFEX** | | | | | | | |
| Aug | 5869.0 | 5770.0 | -110.0 | 5887.0 | 5748.0 | 6,918 | 23,221 |
| Sep | - | 5778.5 | -111.3 | - | - | 143 | 1,065 |

** Sat Aug 2 . Taiwan Weighted Price 10048.90; Korea Comp Ex 730.43. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Mins, DAX – all 1,000; SMI - 1500; JSE Gold – 255.7; JSE 20 Ind – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 4 - 4302.60 -34 48

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

## US INDICES

| Dow Jones | Aug 1 | Jul 31 | Jul 30 | 1997 High | 1997 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 8194.04 | 8222.61 | 8254.89 | 8254.89 (30/7) | 6391.69 (11/4) | 8254.89 (30/7/97) | 41.22 (8/7/32) |
| Home Bonds | 104.42 | 104.70 | 104.69 | 104.70 (31/7) | 101.09 (14/4) | 104.70 (31/7/97) | 54.99 (1/10/81) |
| Transport | 2951.30 | 2982.11 | 2973.13 | 2982.11 (31/7) | 2222.07 (2/1) | 2982.11 (31/7/97) | 13.23 (8/7/32) |
| Utilities | 233.49 | 235.56 | 234.37 | 240.85 (22/1) | 209.47 (25/4) | 256.46 (31/8/93) | 16.53 (8/7/32) |

DJ Ind. Day's high 8287.64 (8328.99 ) Low 8082.11 (8160.99 ) (Theoretical♦)
Day's high 8247.69 (8282.77 ) Low 8103.45 (8207.26 ) (Actual♦)

| Standard and Poors | Aug 1 | Jul 31 | Jul 30 | 1997 High | 1997 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 947.14 | 954.29† | 952.29 | 954.29 (31/7) | 737.01 (2/1) | 954.29 (31/7/97) | 4.40 (1/6/32) |
| Industrials♥ | 1112.26 | 1118.81 | 1118.00 | 1118.81 (31/7) | 865.42 (11/4) | 1118.81 (31/7/97) | 3.52 (30/6/32) |
| Financial | 110.21 | 111.88 | 110.95 | 111.88 (31/7) | 80.75 (2/1) | 111.88 (31/7/97) | 7.13 (4/9/74) |
| NYSE Comp. | 490.98 | 494.50 | 493.57 | 494.50 (31/7) | 389.47 (11/4) | 494.60 (31/7/97) | 4.64 (25/4/42) |
| Amex Comp. | 644.19 | 646.30 | 645.32 | 646.30 (31/7) | 541.20 (28/4) | 646.30 (31/7/97) | 524.20 (16/7/96) |
| NASDAQ Cmp | 1594.33 | 1593.81 | 1588.05 | 1594.33 (1/8) | 1201.00 (2/4) | 1594.33 (1/8/97) | 54.87 (3/10/74) |

### ■ RATIOS

| | Aug 1 | Jul 25 | Jul 18 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.58 | 1.60 | 1.64 | 2.20 |
| | Jul 30 | Jul 23 | Jul 16 | Year ago |
| S & P Ind. Div. yield | 1.46 | 1.50 | 1.50 | 2.10 |
| S & P Ind. P/E ratio | 26.05 | 25.77 | 25.78 | 21.35 |

### ■ NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Unisys | 14,327,500 | 11⅞ | +1⅛ |
| Compaq | 8,447,600 | 57⅞ | +¾ |
| Micron | 8,286,000 | 50⅞ | +1⅛ |
| Colmbia HCA | 7,221,200 | 32¼ | +½ |
| Owens Illin | 6,760,500 | 36⅞ | +2⅞ |
| Phlp Morris | 6,289,600 | 45⅛ | -⅛ |
| Gen Elec | 6,001,200 | 69 | -1⅛ |
| AT&T | 5,313,300 | 37⅞ | +⅜ |
| PepsiCo | 4,529,600 | 38⅛ | -¼ |
| IBM | 4,000,500 | 104⅞ | -⅝ |

### ■ TRADING ACTIVITY

| ● Volume (million) | Aug 1 | Jul 31 | Jul 30 |
|---|---|---|---|
| New York SE | 547.874 | 528.897 | 588.478 |
| Amex | 237.389 | 25.841 | 27.771 |
| NASDAQ | 593.303 | 688.319 | 733.718 |
| **NYSE** | | | |
| Issues Traded | 3,388 | 3,387 | 3,423 |
| Rises | 1,050 | 1,714 | 2,073 |
| Falls | 1,835 | 1,146 | 836 |
| Unchanged | 503 | 537 | 514 |
| New Highs | 213 | 524 | 506 |
| New Lows | 18 | 7 | 11 |

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| **■ S&P 500** | | | | | | | |
| Sep | 952.55 | 952.20 | -2.80 | 953.80 | 949.15 | 68,277 | 178,323 |
| Dec | - | 963.50 | - | - | 950.50 | 477 | 5,979 |

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| **■ Nikkei 225** | | | | | | | |
| Sep | 19800.0 | 19790.0 | -10.0 | 19930.0 | 19490.0 | 24,149 | 175,753 |
| Dec | 19900.0 | 19560.0 | -380.0 | 19900.0 | 19560.0 | 120 | 3,714 |

Open interest figures for previous day.

### ■ TOKYO - MOST ACTIVE STOCKS: Monday, August 4, 1997

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nomura Secs | 5.4m | 1650 | -30 | Nippon Steel Cp | 4.6m | 317 | -3 |
| JAL | 4.8m | 500 | | Sakura Bank | 4.3m | 702 | -15 |
| Fujitsu | 4.8m | 1740 | -20 | Toshiba Corp | 4.2m | 746 | -24 |
| NKK Corp | 4.7m | 211 | -1 | NEC Corp | 3.9m | 1710 | |
| Mitsubishi El | 4.7m | 621 | -6 | Hitachi | 3.8m | 1350 | -10 |

Prices supplied by Extel, part of FT information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. x Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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# NEW YORK STOCK EXCHANGE PRICES

*4 pm close August 4*

## - A -

| 1997 High | Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Chg Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 38 7/16 | 24 1/4 | AAR x | 0.48 | 1.4 | 27 | 1338 | 35 3/4 | 35 | 35 1/16 | -1/16 |
| 53 3/8 | 33 1/8 | AMP x | 1.04 | 2.0 | 42 | 4686 | 51 13/16 | 51 7/16 | 51 1/2 | -1/4 |
| 108 1/4 | 78 1/4 | AMR | | | 8 | 3380 | 107 11/16 | 105 11/16 | 107 11/16 | +2 |
| 37 5/8 | 28 1/2 | ASA | 1.20 | 3.9 | 80 | 175 | 30 1/2 | 30 1/4 | 30 7/16 | +3/16 |
| 68 13/16 | 49 3/4 | AbbtL x | 1.08 | 1.7 | 25 | 12403 | 64 | 62 7/8 | 63 1/4 | -5/8 |
| 20 1/2 | 14 1/8 | Abitibi | 0.40 | 2.0 | 10 | 61 | 20 1/16 | 19 7/8 | 20 | |
| 23 7/16 | 17 3/8 | ABM Ind x | 0.40 | 1.7 | 21 | 245 | u24 1/16 | 23 7/16 | 24 | +7/16 |
| 24 7/8 | 17 3/4 | Acptncsle | | | 11 | 664 | 23 1/4 | 22 7/8 | 23 1/16 | +3/16 |
| 82 1/4 | 55 1/4 | ACE Ltd | 0.88 | 1.0 | 11 | 790 | u86 7/16 | 84 1/4 | 84 13/16 | +11/16 |
| 10 3/4 | 10 | ACM Gvt In | 0.90 | 0.8 | 11 | 221 | 10 5/16 | 10 1/2 | 10 1/2 | -1/16 |
| 8 | 7 | ACM GvOpp | 0.63 | 0.1 | | 79 | 7 3/4 | 7 3/4 | 7 3/4 | |
| 10 5/16 | 8 1/4 | ACM Man | 0.90 | 0.9 | | 88 | 10 1/4 | 10 1/8 | 10 1/8 | -1/16 |
| 10 3/8 | 6 1/8 | Acme Elect | | | | 14 | 6 7/16 | 6 3/16 | 6 1/4 | +1/16 |
| 80 | 13 | Acme Mills | | | | 206 | 15 3/4 | 15 1/4 | 15 5/16 | +1/16 |
| 22 11/16 | 14 | ACNielsen | | | 39 | 1242 | 21 1/2 | 21 1/4 | 21 1/2 | +1/4 |
| 29 3/4 | 16 1/8 | Acuson | | | | 1025 | 28 3/16 | 25 13/16 | 28 1/8 | +1/16 |
| 24 7/8 | 19 3/8 | Adams Expr | 0.55 | 2.3 | 1 | 339 | 34 1/16 | 24 1/8 | 24 1/8 | -1/4 |
| 48 1/2 | 24 7/8 | AdvMic | | | | 10845 | 37 3/4 | 36 11/16 | 37 1/16 | +5/16 |
| 27 1/2 | 18 7/8 | Advest Grp | 0.12 | 0.5 | 16 | 132 | 22 13/16 | 22 5/16 | 22 11/16 | -1/8 |
| 18 9/16 | 11 3/8 | Advo Inc | | | 17 | 616 | u18 9/16 | 18 | 18 1/4 | -1/16 |
| 78 7/8 | 61 1/8 | Aegon | 1.31 | 1.8 | 20 | 1188 | 74 1/16 | 71 3/4 | 73 3/16 | -1 |
| 5 5/8 | 3 1/8 | Aerflx | | | | 3524 | u6 3/16 | 5 5/8 | 6 1/4 | +3/16 |
| 55 3/16 | 50 | Aero-V | 0.80 | 1.5 | 18 | 559 | 54 | 53 7/8 | 53 7/8 | -1/8 |
| 82 1/4 | 48 | AES Corp | | | | z0 | 78 | 78 | 78 | |
| 115 7/8 | 73 | Aetna x | 0.80 | 0.7 | 88 | 9571 | u116 1/8 | 114 | 117 | +3 |
| 33 | 10 1/8 | AffCom | | | 60 | 2302 | 27 3/4 | 21 1/4 | 27 3/4 | +3/16 |
| 56 3/8 | 37 1/2 | Aflac | 0.48 | 0.8 | 12 | 779 | 54 13/16 | 54 5/8 | 54 1/4 | +3/16 |
| 35 13/16 | 19 1/4 | AGCO | 0.04 | 0.1 | 12 | 20 | 31 1/2 | 31 1/2 | 31 1/2 | |
| 21 5/8 | 18 3/8 | AGL Res | 1.00 | 5.2 | 14 | 214 | 20 13/16 | 20 1/2 | 20 13/16 | +3/16 |
| 53 3/4 | 32 | Ahmnso | 0.58 | 1.7 | 26 | 7525 | 52 1/4 | 51 1/2 | 51 7/16 | -5/8 |
| 89 5/8 | 66 3/8 | AirPrC x | 1.20 | 1.4 | 22 | 986 | 87 1/16 | 85 13/16 | 86 1/4 | -13/16 |
| 49 7/8 | 22 3/4 | Airbrn Frt | 0.30 | 0.6 | 25 | 3023 | u49 5/8 | 45 1/4 | 48 1/4 | +1/2 |
| 24 1/2 | 13 1/2 | Airgas | | | 54 | 884 | 19 1/4 | 10 1/4 | 19 | -5/8 |
| 17 5/8 | 9 13/16 | Airlease | 2.43 | 20.6 | 1 | 141 | 11 13/16 | 11 11/16 | 11 13/16 | +1/16 |
| 33 13/16 | 22 | AirTch | | | 70 | 16532 | u34 | 32 1/16 | 33 1/16 | +5/8 |
| 29 7/16 | 20 3/4 | Alaska Air | | | 10 | 1417 | u29 5/8 | 29 1/4 | 60 7/16 | +3/16 |

[illegible]


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Continued on next page

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هكذا من الأجل



[redacted]

# NYSE PRICES

*4 pm close August 4*

| 1997 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Continued from previous page** | | | | | | | | |
| 6 1/4 | 1 1/2 | Salant Crp | | | | 89 | 2 3/8 | 2 1/4 | 2 1/4 | -1/8 |
| 161 1/2 | 89 | SalMae | 1.76 | 1.2 | 17 | 2761 | 148 5/8 | 144 1/2 | 144 3/4 | -2 1/8 |
| 18 | 14 7/8 | Salomon Br | | | | 37 | 106 | u18 | 17 7/8 | 17 15/16 |
| 63 | 45 | Salomon | 0.64 | 1.0 | 9 | 5943 | u65 | 63 | 63 1/2 | -1 7/8 |
| 41 1/4 | 34 3/4 | SFePPipe x | 3.00 | 7.5 | 11 | 89 | 39 3/4 | 39 3/8 | 39 3/4 | +1/16 |
| 45 3/4 | 36 3/8 | SaraLee | 0.84 | 1.9 | 22 | 5085 | 44 5/8 | 43 | 43 | -1/8 |
| 62 1/4 | 49 | SBC Co s | 1.79 | 3.0 | 18 | 10808 | 59 | 57 7/8 | 58 | +1/16 |
| 26 7/8 | 23 3/4 | Scana Corp | 1.51 | 6.0 | 13 | 2091 | 25 1/4 | 24 7/8 | 25 | +1/4 |
| 9 1/8 | 7 5/8 | ScdderA | 0.28 | 5.6 | 25 | 197 | 8 1/4 | 8 1/2 | 8 3/4 | +1/4 |
| 62 | 44 1/2 | ScheringP | | | 22 | 600 | 53 1/8 | 52 7/8 | 53 | -1/8 |
| 79 1/2 | 49 | Schlmb | 0.75 | 1.0 | 35 | 7364 | 78 1/4 | 75 | 75 1/4 | -1 |
| 49 | 30 3/8 | Schwab(C) | 0.20 | 0.4 | 33 | 2336 | 46 | 45 | 45 | -1 |
| 23 1/2 | 14 1/4 | SciAtl | 0.06 | 0.3 | 62 | 3290 | 20 3/8 | 20 | 20 3/4 | +1/16 |
| 28 3/8 | 23 | Scotman | 0.18 | 0.4 | 14 | 107 | 27 5/8 | 27 | 27 5/8 | +1/8 |

(Remaining NYSE rows, sections -T- and -U- through -X-Y-Z-: [illegible])

Price data supplied by Exhibit, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial. d-new yearly low. ll-X price-earnings ratio. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
a Dealings suspended.

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# AMEX PRICES

*4 pm close August 4*

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| NY TmA | 0.44 | 21 | 3670 | 40 7/8 | 49 7/16 | 49 13/16 | -3/16 |
| NVR | | 9 | 133 | u19 3/8 | 18 7/16 | 19 1/8 | +1 1/8 |
| Pegasus G | | 50 | 1414 | 5 | 4 7/8 | 5 | +1/8 |
| Penn | | 4 | 105 | 8 1/8 | 7 7/8 | 8 | +3/16 |
| PMC | 1.25 | 11 | 56 | 14 1/16 | 13 15/16 | 14 | -1/16 |
| RaganBrad | | | z0 | 27 3/4 | 27 3/4 | 27 3/4 | |
| SJW Corp | 2.28 | 24 | 11 | 56 | 55 1/4 | 56 | +1 1/4 |
| Tab Prods | 0.20 | 12 | 137 | 9 7/8 | 9 9/16 | 9 5/8 | |
| TelData | 0.42 | 62 | z0 | 38 | 38 | 38 | -3/8 |
| Thermedics | | 14 | 992 | 16 3/8 | 15 3/4 | 16 3/8 | +3/16 |
| Thermotrex | | 26 | 149 | 36 5/8 | 35 7/16 | 36 7/16 | +7/8 |
| TotPNA | | 148 | 150 | 10 3/8 | 10 1/4 | 10 3/8 | +1/16 |
| TownCntry | | 0 | 373 | 3/4 | 3/4 | 5/8 | |
| Tubos Mex | | | 752 | 10 | 18 9/16 | 10 | +1/8 |
| UtdFoodsA | | 34 | z0 | 2 3/4 | 2 3/4 | 2 3/4 | |
| UtdFoodsB | | 32 | z0 | 2 5/8 | 2 5/8 | 2 5/8 | |
| US Cellul | | 30 | 329 | 21 | 30 7/16 | 31 | +3/8 |
| ViacmA | | 167 | 316 | 30 7/16 | 29 13/16 | 30 7/16 | |
| ViacmB | | 168 | 2037 | 30 7/16 | 30 1/16 | 30 7/16 | -1/16 |
| WRET | 1.12 | 20 | z0 | 13 7/8 | 13 7/8 | 13 7/16 | -1/16 |
| Xytronix | | | 668 | u2 | 1 11/16 | 1 7/8 | |

(Remaining AMEX rows: [illegible])

# NASDAQ NATIONAL MARKET

*4 pm close August 4*

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Kaman Cp | 0.44 | 26 | 402 | 16 3/8 | 16 1/4 | 16 1/4 | |
| Kelly Sv | 0.88 | 15 | 524 | 30 7/8 | 30 1/8 | 30 3/4 | |
| Kimball | 1.18 | 16 | 310 | 44 3/4 | 43 | 44 3/4 | +1 1/4 |
| KLA-Tn | | 51 | 15331 | 63 13/16 | 60 5/8 | 63 11/16 | +2 |
| Koll A | | | z0 | 1/8 | 1/8 | 1/8 | |
| Komag♣ | | 20 | 8791 | 21 1/2 | 20 9/16 | 20 9/16 | -15/16 |
| Kulicke S | | 11 | 243 | u42 1/2 | 39 3/4 | 40 5/8 | +1/2 |
| PridePt♣ | | 12 | 4825 | 26 1/4 | 25 7/8 | 26 1/16 | -1/8 |
| Printroni | | 18 | 134 | 15 5/16 | 14 7/8 | 15 3/16 | +1/16 |
| Qualcomm | | 49 | 12992 | 48 3/8 | 46 3/4 | 47 7/8 | +1/2 |
| Qual Food | | 23 | z0 | 41 7/8 | 41 7/8 | 41 7/8 | -1/16 |
| Quantum | | 16 | 60232 | u31 1/2 | 29 | 31 1/16 | +1 3/8 |
| Quicksilv | | 21 | 218 | 36 1/2 | 35 1/2 | 35 1/2 | |
| Quintiles | | 189 | 2245 | 74 3/4 | 72 1/8 | 72 7/8 | -2 1/8 |

- X - Y - Z -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Xilinx♣ | | 36 | 36550 | 52 | 48 3/4 | 50 13/16 | +3 13/16 |
| Xircom | | 22 | 8445 | 13 5/8 | 12 7/8 | 13 3/16 | +7/16 |
| Xoma Corp | | | 2151 | 5 9/16 | 5 5/16 | 5 1/16 | +1/4 |
| Yellow | | | 5251 | u25 7/8 | 27 3/8 | 28 1/8 | +1 7/16 |
| York Rsch | | 16 | 247 | 6 9/16 | 6 1/8 | 6 1/8 | -1/8 |
| ZionsUtah | 0.48 | 19 | 893 | 38 1/16 | 35 5/8 | 35 7/8 | +1/8 |

(Remaining NASDAQ rows: [illegible])

## EASDAQ

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| Company | Mid price | Change on day | Volume | High | Low | Company | Mid price | Change on day | Volume | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ActivCard | US$3.25 | | 0 | 8.25 | 3 | Lernout & Hauspie | US$30.75 | -0.625 | 22430 | 34 | 25 |
| Artwork Systems | US$9.375 | | 4500 | 11.125 | 9.375 | Mercer Int'l | US$10 | -0.125 | 0 | 11.75 | 2.125 |
| Chemunex | FFr113 | | 0 | 18 | 11.5 | NTL | US$21.75 | -0.125 | 0 | 25.125 | 21.625 |
| Dobonair Holdings | GBP6.9 | +0.7 | 583250 | 6.95 | 4.5 | PixTech | US$3.875 | | 0 | 0.125 | 1.75 |
| Dr Solomon's ADS | US$25 | +0.75 | 4170 | 28.375 | 16.875 | Schoeller-Bleckmann | Sch1240 | +30 | 6040 | 1240 | 909 |
| EDAP TMS | US$8.75 | -0.375 | 0 | 0.125 | 0.75 | Topcall Int'l | Sch3290 | -15 | 5150 | 3318 | 3065 |
| Esprit Telecom ADS | US$5.875 | -0.5 | 0 | 12.25 | 5.375 | Turbodyne Technol | US$3.95 | -0.03 | 0 | 3.93 | 3.98 |
| Innogenetics | US$10.625 | | 55140 | 12.75 | 10.125 | | | | | | |

Prices for 4/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel 44-171 / 489 9990).

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Financial Times. World Business Newspaper.

# US shares easier at midsession

AMERICAS

US stocks were mixed at midday. Large company stocks continued to lose ground after last week's sell-off but technology issues moved higher, *writes John Labate in New York.*

The Dow Jones Industrial Average bad lost 33.44 at 8,160.60 by early afternoon. The broader Standard & Poor's 500 index shed less than a point ot 947.01.

Large company stocks continued to slip on inflation fears. These were sparked on Friday by the release of the National Association of Purchasing Management report which showed a sharp rise in prices paid by manufacturers. On the same day it was reported that the unemployment rate bad fallen to 4.8 per cent.

Yesterday morning the bellwether long bond continued to erode in price, losing ¼ at 101 to push the yield up to 6.481 per cent.

Cyclical stocks were among the hardest hit. General Motors off $2¼ at $62¾ and International Paper was down $1⅛ at $56⅛. General Electric also fell $1¼ at $67¾.

"In the August and September meetings of the Federal Reserve, there is no guarantee that the Fed won't raise interest rates again and that has investors concerned," said Mr Thomas McManus, chief market strategist at NatWest Securities.

Technology stocks again performed better than most, with the Nasdaq composite index rising 7.87 at 1,602.20. Investors may be further drawn to small company stocks after the recent proposals concerning the treatment of capital gains.

"Capital gain tax cuts have tended to help high growth stocks like biotech and technology," said Ms Elizabeth Mackay, chief investment strategist at Bear, Stearns. "Such tax changes can lead investors to favour companies with high stock appreciations over those with high dividend pay-outs," she added.

Technology stock buying was broadly based. Computer chip maker Motorola rose $1⅜ at $82⅛ while rival Intel gained $2¾ at $96¾. Networking leader Cisco Systems rose $1¾ at $81⅞.

● Toronto was closed yesterday for a holiday

## Sao Paulo falls further

Most Latin American centres trended lower in morning trading, notably Sao Paulo which followed up Friday's severe shakeout with further declines.

SAO PAULO continued to suffer from last week's steep setback. "Having seen the market slide nearly 5 per cent on Friday, investors are in no mood to pick up the pieces today. It will take some time for worries about the trade deficit to work their way out of the system," said one broker.

At midsession, the Bovespa index was down a further 162 or 1.3 per cent. Leading stocks stayed weak across the board, although volume was said to be light. Telebras, down almost 4 per cent at one stage, ended the morning with a decline of 1.45 per cent to R$149.70. Electrobras was 1.83 per cent lower at R$589.00.

MEXICO CITY ran into modest profit-taking following the dull start on Wall Street. At midsession, the IPC index was 18.21 lower at 5,048.82. Telmex ended the morning session with a decline of 20 centavos to 21.40 pesos.

CARACAS traded weakly ahead of the half-day national strike planned for tomorrow.

At midsession the IPSA index was showing a decline of 133.78 or 1.4 per cent at 9,301.54.

### MARKETS IN PERSPECTIVE

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1997 | Start of 1997 | Start of 1997 |
| Austria | +3.29 | +6.96 | +41.82 | +29.20 | +12.05 | +7.19 |
| Belgium | -0.74 | +2.78 | +46.37 | +32.17 | +14.45 | +9.49 |
| Denmark | +0.37 | +5.93 | +57.91 | +34.37 | +17.10 | +12.02 |
| Finland | +2.29 | +10.82 | +94.83 | +50.64 | +31.17 | +25.48 |
| France | +0.68 | +3.75 | +49.35 | +29.72 | +12.62 | +7.74 |
| Germany | +2.07 | +11.08 | +70.55 | +48.65 | +28.98 | +23.39 |
| Ireland | +1.39 | +7.68 | +48.52 | +31.68 | +17.97 | +12.95 |
| Italy | -3.44 | +8.40 | +54.60 | +42.43 | +24.97 | +19.45 |
| Netherlands | -0.41 | +6.29 | +61.39 | +51.24 | +30.75 | +25.08 |
| Norway | +1.38 | +3.02 | +55.12 | +29.65 | +12.64 | +7.76 |
| Spain | -1.17 | -6.06 | +71.09 | +33.03 | +15.43 | +10.43 |
| Sweden | -0.74 | +3.47 | +74.36 | +37.74 | +22.67 | +17.35 |
| Switzerland | +0.91 | +1.30 | +66.59 | +48.66 | +37.24 | +31.29 |
| UK | +0.86 | +1.70 | +26.83 | +15.94 | +15.94 | +10.61 |
| EUROPE | +0.52 | +3.88 | +49.79 | +31.73 | +21.25 | +15.99 |
| Australia | +1.11 | -0.20 | +27.78 | +15.12 | +12.11 | +7.25 |
| Hong Kong | +4.83 | +6.20 | +35.79 | +11.30 | +16.23 | +11.19 |
| Indonesia | +2.94 | -3.45 | +33.16 | +10.56 | +4.38 | -0.15 |
| Japan | -1.93 | +0.47 | -2.61 | +4.34 | +7.13 | +2.59 |
| Malaysia | -3.15 | -4.86 | -7.54 | -19.58 | -19.50 | -23.00 |
| New Zealand | +2.45 | +1.07 | +17.44 | +10.79 | +5.48 | +0.92 |
| Philippines | +3.31 | -2.93 | -19.81 | -21.16 | -25.85 | -26.06 |
| Singapore | -3.86 | -2.00 | +0.80 | -6.23 | -6.96 | -10.99 |
| Thailand | +2.36 | -3.64 | -48.20 | -22.24 | -34.80 | -37.63 |
| Canada | +0.75 | +3.47 | +42.27 | +17.97 | +22.11 | +16.91 |
| USA | +0.97 | +3.68 | +45.26 | +27.37 | +33.15 | +27.37 |
| Brazil | -1.54 | -7.03 | +76.30 | +61.11 | +61.57 | +54.57 |
| Mexico | +6.29 | +8.36 | +59.02 | +47.61 | +56.31 | +49.57 |
| South Africa | +0.35 | +0.74 | +10.44 | +10.14 | +16.22 | +11.18 |
| WORLD INDEX | +0.43 | +3.07 | +34.31 | +22.76 | +23.42 | +18.07 |

† Based on August 1st 1997. © Copyright, FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. 1997. All rights reserved.

# Frankfurt slides on interest rate worries

EUROPE

Worries about an upward move for German interest rates hardened yesterday and FRANKFURT lost ground for the third session running.

In the face of a surging dollar, the money market maintained the tight stance adopted on Friday and interest rate sensitive shares came in for heavy selling.

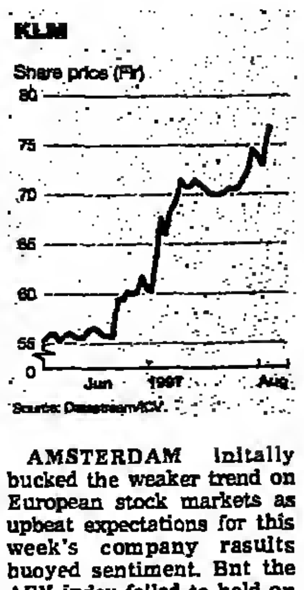
At the close of electronic trading, the Dax stood at an Ibis-indicated 4,302.50 – off 34.48 for a three-day decline of more than 3 per cent.

Dealers said the onset of the August holiday period had created thin markets but that sentiment had nevertheless taken "something of a knock" at the sight of rising bond yields.

Insurance leader Allianz retreated DM10.50 to DM445 and the banks streamed uniformly lower.

Deutsche Bank came off DM1.40 to DM118 and Dresdner fell DM2.10 to DM80.70. Merger partners, Bayerische Vereinsbank lost DM2.50 to DM95.70 and Bayerische Hypo DM1.30 to DM72.80.

Given the mood, even some of the big exporters were taken to task in spite of the dollar strength. Volkswagen shed DM26.4 to DM1,371.5, Daimler Benz DM1.55 to DM146.55 and Bayer DM1.54 to DM74.66.




AMSTERDAM initially bucked the weaker trend on European stock markets as upbeat expectations for this week's company results buoyed sentiment. But the AEX index failed to hold on to its morning gains, shedding 1.39 to 979.35.

KLM gained Fl 3.40 to Fl 76.40 in active trade ahead of today's second-quarter earnings report. Analysts said the quality of the airline's earnings would be significantly improved.

Also due to report today is publisher Wolters Kluwer, which added Fl 10.10 to Fl 283.00 after touching a record Fl 291.70. The share has this year underperformed the market.

Hoogovens is expected to report a rise in first-half earnings of about 30 per cent tomorrow. The steel group's share gained Fl 3.70 to Fl 138.50. Its profits are expected to benefit from firmer steel and aluminium prices and strong demand in the US this year after profits dipped last year.

Philips' entertainment offshoot PolyGram also rose on expectations that the *Mr Bean* movie would be a success, notching up a gain of Fl 6.00 to Fl 118.

ZURICH followed Germany lower, with the SMI index losing 127.2 or 2.2 per cent to 5,771.0.

Novartis was the day's most active stock, dipping SFr74.00 to SFr2,353. Drugs rivals Roche came off SFr365 to SFr14,260 and Clariant SFr38.00 to SFr1,090.

Banks bridled at the prospect of a German-led round of interest rate rises across Europe. UBS, which kicks off the banks' reporting season today, lost SFr18.00 to SFr1,668 and Credit Suisse shed SFr7.25 to SFr196.75. SBC gave up SFr9.00 to SFr400. Among insurers, Winterthur lost SFr18.00 to SFr1,469.

Oerlikon-Buehrle continued to suffer from negative talk following speculation that the group was set to spin-off its shoes division, best known for the Bally label. The shares came off SFr3.00 to SFr151.

**FTSE Actuaries Share Indices** — European Series

| August 04 National & Regional Markets | Ecu Index | Day's % | change points | Yield gross % | xd adj | Total retn (Ecu) |
|---|---|---|---|---|---|---|
| FTSE Eurotop 300 | 988.25 | -0.80 | -7.94 | 2.32 | 0.00 | 999.44 |
| FTSE Eurotop 100 | 2291.38 | -1.10 | -25.54 | - | - | - |
| **FTSE Eurotop 300 Regions** | | | | | | |
| 300 UK | 993.97 | -0.09 | -0.88 | 3.37 | 0.00 | 994.48 |
| 300 Ex-UK | 984.95 | -1.20 | -11.97 | 1.73 | 0.00 | 994.95 |
| 300 Eurobloc | 966.90 | -0.98 | -9.74 | 1.89 | 0.00 | 986.90 |
| 300 Ex-Eurobloc | 989.22 | -0.67 | -6.63 | 2.63 | 0.00 | 969.54 |
| **FTSE Eurotop 300 Economic Groups** | | | | | | |
| Resources | 1004.86 | +0.08 | +0.76 | 2.78 | 0.00 | 1004.86 |
| General Industries | 994.99 | -0.83 | -8.36 | 2.01 | 0.00 | 994.99 |
| Consumer Goods | 976.61 | -1.08 | -10.65 | 1.93 | 0.00 | 976.81 |
| Services | 981.85 | -0.23 | -2.23 | 2.31 | 0.00 | 983.06 |
| Utilities | 976.15 | -1.19 | -10.82 | 3.32 | 0.00 | 976.18 |
| Financials | 990.76 | -1.04 | -10.45 | 2.32 | 0.00 | 990.76 |

Base value 1000. More information on http://www.ftse.com. "FTSE" and "Footsie" are registered trade marks of the London Stock Exchange and The Financial Times. "Eurotop" is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved. Weighting Change: Eni (Italy) 49.83% to 48.42% with effect from 04/08/1997. Market closed 04/08/1997: Ireland.

PARIS buckled under the dollar's strength, with the CAC 40 failing to hold above the 3,000 level in a thin market. Fears that the Bundesbank might raise interest rates to prop up the sagging D-Mark shaved 57.03 off the CAC 40 to 2,992.41.

Rhône-Poulenc fell sharply as investors took profits after the share's strong surge in recent weeks, shedding FFr12.60 to FFr255.30.

Alcatel Alsthom was heavily traded for the second session running as brokers, including Paribas, issued or reiterated buy recommendations. Alcatel outperformed the overall market, but the shares still ended FFr14.00 lower at FFr845.

Valeo bucked the trend by rebounding from its recent weaker levels, gaining FFr9.00 to FFr393.

MILAN picked up where it left off on Friday with blue chips moving lower on a broad front. Olivetti fell L13.00 to L628 after the information technology group cut back estimate for the capital gain on the sale forecast on the sale of its PC unit. Marzotto eased L665 to L17,314 after solid but unexciting first-half results. The Mibtel real-time index ended off 257 at 14,438.

HELSINKI was buoyed by telecoms group Nokia's better-than-expected first half results, released an hour before the close of trade. The HEX index closed off its morning peaks, up 28.87 to 3,538.86. Nokia ended at FM482, a new high, but off its FM485 intra-day peak.

STOCKHOLM had the opposite reaction to Nokia's results, as it was pulled down by Ericsson on fears that Nokia had taken market share away from its Swedish rival. The general index was about 0.6 per cent lower at 3,140.76 after a Skr7.5 fall in Ericsson to SKr354.

MOSCOW, responded enthusiastically to the new rouble and the RTS index ended the session with a gain of 8.11 at 518.31. "The rouble move is another sign of Russian economic restructuring. This will encourage foreign investors," said one broker. The RTS is this year's fastest moving emerging market index, with a gain of more than 150 per cent since January.

BUDAPEST threw off Friday's setback to break through a record high on the BUX index which ended 106.39 ahead at 7,981.12. Oil leader MOL surged Ft275 or 5.8 per cent to Ft4,990 with investors anticipating strong second quarter results and reacting positively to press reports that the next move in the group's progressive privatisation had been delayed.

Written and edited Jeffrey Brown and Greta Stein

# Tokyo slips again on renewed futures pressure

ASIA PACIFIC

Tokyo continued to move lower following selling by both foreign investors and domestic institutions plus downside pressure from the futures market, *writes Gwen Robinson.*

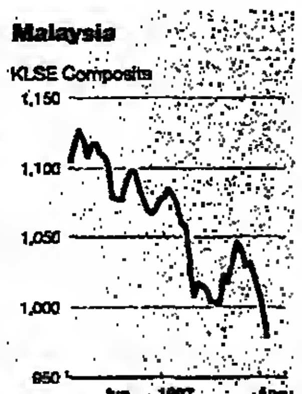
The Nikkei 225 average ended off 136.31 at 19,668.07 after moving between 19,456.95 and 19,930.49.

Trading began on a firm note with Friday's steep 2.6 per decline sparking some bargain hunting. But stock prices were moving lower by mid morning on heavy selling linked to the slide of index futures in Osaka. Selling continued in the afternoon, carrying the key index to a new low for the April-March fiscal year.

Volume eased from Friday's 450m shares to an estimated 339m. Declines overwhelmed advances 744 to 354 with 155 unchanged. The Topix index of all first-section stocks shed 15.53 to 1,497.26 and the capital-weighted *Nikkei 300* was off 3.33 at 292.16.

Blue-chip exporters led the market down. Car makers plunged on Friday's news of an annual 11.4 per cent decline in July passenger car sales. Toyota shed Y220 to Y3,290, Nissan Y55 to Y730 and Honda Y100 to Y3,730.

High technology and electrical stocks also retreated. Sony fell Y200 to Y12,000,




Canon Y40 to Y3,620 and Minolta Y41 to Y690.

Pharmaceuticals fell almost across the board. Yamanouchi Pharmaceutical fell Y50 to Y3,070 and Sankyo Y120 to Y4,090.

Securities houses were led down by Nomura Securities, the day's most active issue, which fell Y30 to Y1,650 after gaining in recent sessions. Yamaichi Securities shed Y8 to Y262 and Nikko Securities Y14 to Y633.

Telecommunications issues were among the day's winners, mainly on news of the tie-up between carriers KDD and DDI. KDD advanced Y190 to Y8,000 and DDI Y12,000 to Y783,000.

In Osaka, the OSE average plunged 311 to 20,409.72 in volume of 23.2m shares.

In London, the ISE/Nikkei 50 index rose 2.00 at 1,671.59.

KUALA LUMPUR tumbled 2.4 per cent, or 24.07, to 978.56, just off the low for the year set earlier in the day.

The Malaysian central bank's move to impose controls on foreign exchange transactions had a negative effect on sentiment. There was also nervousness ahead of trade figures, which came out after the markets closed.

Telekom Malaysia hit a low for the year of M$9.25, down 45 cents. The drop followed the release of disappointing interim results on Friday.

HONG KONG closed off mid-session lows, though there was profit-taking in the financial sector ahead of key interim results from HSBC and Hang Seng Bank. The Hang Seng index finished 119.63 lower at 16,259.59.

The banking results, released after the market closed, were at the top end of analysts' expectations. HSBC closed down HK$4.00 at HK$264.0 after touching a low for the session of HK$262.0. Total market turnover was HK$22.7bn.

BANGKOK closed higher in thin trade as investors reacted positively to news of the IMF economic package. The SET index rose 11.78 to 663.82 in very low turnover of Bt8.4bn.

Bank of Thailand governor Chaiyawat Wibulswasdi said the package could be painful but the government would try to ease its impact. He did not say how the government would minimise the impact of the austerity measures.

SYDNEY closed lower as Friday's US unemployment figures and a public holiday in New South Wales combined to keep buyers out of the market. The All Ordinaries index closed down 21.5 at 2,706.0, having traded narrowly in low volume.

Bank shares were under the most pressure, reflecting a sharp rise in bond yields after Friday's sell-off of US Treasuries. The banking index shed 1.1 per cent.

Leading resources shares were weak. Rio Tinto was down 12 cents to A$20.67 and BHP closed 16 cents lower A$17.85.

WELLINGTON also ended weaker as bond market jitters spilled over to equities. The 40 capital index closed down 15.85 at 2,558.78. Telecom came off NZ$0.09 at NZ$7.71.

Fletcher Energy outperformed the market, rising 5 cents to NZ$5.40.

BOMBAY began the first day of the new trading account in positive mood, closing at a 34-month high. Buying was said to be across the board.

The BSE index ended 117.62 or 2.7 per cent higher at 4,464.94.

## Johannesburg drifts lower

South African shares ended slightly weaker in sympathy with the bond market as concerns that US interest rates might rise weighed on the market.

The fall in the value of the rand to six-month lows against the dollar was another negative factor in a thin market, although some rand hedge stocks gained.

The all-share index was down 11.6 at 7,445.2, the industrial index shed 35.3 to 9,110.2 and the gold index was up 6.3 to 970.1.

Retailer CNA Gallo bucked the trend, jumping more than 9 per cent to a new annual high of 520 cents after clothing retailer Wooltru purchased its retail business last week.

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock | FRIDAY AUGUST 1 1997: US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | THURSDAY JULY 31 1997: US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX: 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (76) | 237.99 | -1.1 | 215.55 | 177.80 | 229.72 | 213.90 | -0.4 | 3.56 | 240.60 | 217.84 | 180.07 | 229.76 | 214.78 | 243.87 | 184.35 | 184.35 |
| Austria (25) | 203.56 | -1.2 | 184.37 | 151.91 | 196.49 | 196.38 | -0.1 | 1.67 | 206.00 | 196.52 | 154.18 | 196.72 | 196.60 | 206.00 | 174.70 | 190.83 |
| Belgium (29) | 249.30 | -2.2 | 225.79 | 186.03 | 240.64 | 235.73 | -1.1 | 2.90 | 254.90 | 230.79 | 190.77 | 243.41 | 238.31 | 261.11 | 213.92 | 215.03 |
| Brazil (30) | 293.18 | -4.3 | 265.53 | 218.78 | 282.99 | 584.49 | -4.3 | 1.25 | 306.33 | 277.36 | 229.26 | 292.52 | 610.66 | 322.44 | 172.54 | 178.19 |
| Canada (127) | 221.75 | -0.4 | 200.84 | 165.48 | 214.05 | 221.73 | -0.5 | 1.65 | 222.54 | 201.48 | 166.58 | 212.51 | 222.74 | 222.54 | 156.78 | 158.78 |
| Denmark (32) | 394.26 | -1.2 | 357.11 | 294.23 | 380.59 | 379.44 | -0.1 | 1.35 | 399.16 | 361.40 | 298.74 | 381.17 | 379.94 | 421.25 | 310.23 | 310.23 |
| Finland (26) | 308.22 | -1.8 | 279.16 | 230.01 | 297.52 | 357.91 | -0.2 | 1.54 | 312.19 | 282.66 | 233.65 | 298.12 | 358.74 | 314.06 | 194.98 | 194.98 |
| France (83) | 230.63 | -1.8 | 208.88 | 172.10 | 222.62 | 226.45 | -0.8 | 2.33 | 235.09 | 212.85 | 175.95 | 224.49 | 228.36 | 237.57 | 187.30 | 193.23 |
| Germany (59) | 234.42 | -1.7 | 212.31 | 174.93 | 226.28 | 226.28 | -0.6 | 1.26 | 238.42 | 215.87 | 178.44 | 227.67 | 227.67 | 238.42 | 172.93 | 173.19 |
| Hong Kong, China (66) | 563.79 | 0.4 | 510.63 | 420.72 | 544.21 | 560.45 | 0.4 | 2.72 | 561.44 | 508.34 | 420.19 | 536.14 | 558.09 | 663.79 | 415.63 | 415.63 |
| Indonesia (27) | 227.84 | 0.7 | 206.36 | 170.02 | 219.93 | 365.64 | 0.7 | 1.79 | 226.27 | 204.67 | 169.35 | 216.07 | 362.96 | 254.90 | 183.62 | 190.71 |
| Ireland (17) | 371.10 | -0.5 | 336.11 | 276.93 | 358.21 | 360.43 | -0.1 | 2.71 | 373.00 | 337.72 | 279.16 | 356.13 | 360.97 | 374.64 | 278.74 | 278.74 |
| Italy (53) | 99.73 | -1.2 | 90.33 | 74.43 | 96.27 | 135.04 | -0.1 | 1.76 | 100.99 | 91.44 | 75.58 | 96.44 | 135.14 | 105.79 | 73.26 | 77.27 |
| Japan (485) | 132.41 | -1.8 | 119.92 | 98.81 | 127.81 | 98.81 | -2.0 | 0.80 | 134.76 | 122.01 | 100.86 | 128.69 | 100.86 | 150.97 | 107.57 | 150.36 |
| Malaysia (107) | 464.48 | -1.1 | 420.70 | 346.62 | 448.36 | 471.83 | -1.0 | 1.48 | 469.49 | 425.08 | 351.38 | 448.33 | 476.73 | 660.85 | 460.21 | 631.18 |
| Mexico (27) | 1812.28 | 0.2 | 1641.40 | 1352.39 | 1749.34 | 15496.95 | 0.1 | 1.45 | 1808.88 | 1637.76 | 1353.80 | 1727.36 | 15482.70 | 1812.28 | 1138.59 | 1178.44 |
| Netherlands (19) | 420.45 | -1.7 | 380.81 | 313.78 | 405.85 | 401.36 | -0.8 | 1.94 | 427.85 | 387.38 | 320.21 | 408.56 | 403.73 | 428.86 | 293.35 | 293.35 |
| New Zealand (14) | 92.61 | -0.4 | 83.87 | 69.11 | 89.39 | 76.41 | 0.3 | 3.80 | 93.02 | 84.22 | 69.61 | 88.82 | 76.15 | 96.47 | 80.77 | 83.66 |
| Norway (41) | 318.47 | -1.2 | 288.44 | 237.66 | 307.41 | 332.09 | -0.4 | 1.85 | 322.44 | 291.94 | 241.32 | 307.90 | 333.53 | 328.90 | 246.29 | 247.57 |
| Philippines (22) | 144.45 | -0.7 | 130.83 | 107.79 | 139.43 | 210.36 | 0.0 | 0.97 | 145.53 | 131.77 | 108.92 | 138.97 | 210.33 | 214.07 | 138.54 | 200.96 |
| Singapore (42) | 373.68 | -0.8 | 338.44 | 278.85 | 360.70 | 253.76 | -0.7 | 1.20 | 377.03 | 341.37 | 282.18 | 360.04 | 255.56 | 446.01 | 360.08 | 386.34 |
| South Africa (44) | 354.04 | -1.0 | 320.66 | 264.20 | 341.75 | 358.56 | -0.5 | 2.43 | 357.47 | 323.65 | 267.54 | 341.35 | 360.23 | 370.12 | 301.48 | 329.72 |
| Spain (33) | 242.72 | -1.8 | 219.83 | 181.12 | 234.29 | 288.13 | -0.8 | 2.31 | 247.27 | 223.88 | 185.06 | 236.12 | 290.48 | 278.05 | 173.01 | 178.85 |
| Sweden (49) | 495.09 | -0.8 | 448.41 | 369.45 | 477.89 | 587.38 | -0.0 | 1.78 | 498.29 | 451.16 | 372.93 | 475.83 | 587.40 | 511.95 | 346.39 | 346.39 |
| Switzerland (33) | 313.20 | -0.8 | 283.67 | 233.72 | 302.32 | 295.24 | 0.0 | 1.14 | 314.94 | 285.15 | 235.71 | 300.74 | 295.24 | 329.59 | 231.89 | 238.07 |
| Thailand (42) | 59.75 | -2.3 | 54.12 | 44.59 | 57.68 | 74.13 | -2.1 | 4.18 | 51.18 | 55.39 | 45.79 | 58.42 | 75.69 | 151.74 | 47.56 | 146.00 |
| United Kingdom (214) | 314.06 | -0.2 | 284.45 | 234.36 | 303.15 | 284.45 | -0.2 | 3.51 | 314.66 | 284.90 | 235.50 | 300.48 | 284.90 | 325.28 | 235.41 | 235.56 |
| USA (641) | 384.46 | -0.7 | 348.21 | 286.90 | 371.11 | 384.46 | -0.7 | 1.81 | 387.12 | 350.51 | 289.73 | 369.67 | 387.12 | 387.12 | 264.67 | 264.67 |
| Americas (825) | 351.57 | -0.7 | 318.42 | 262.36 | 339.38 | 288.07 | -0.7 | 1.60 | 354.10 | 320.60 | 265.01 | 338.14 | 298.22 | 354.10 | 241.86 | 241.96 |
| Europe (715) | 277.98 | -1.0 | 251.77 | 207.44 | 268.33 | 269.34 | -0.4 | 2.38 | 280.74 | 254.19 | 210.11 | 268.09 | 270.30 | 284.44 | 209.90 | 209.90 |
| Nordic (150) | 423.11 | -0.9 | 383.21 | 315.74 | 408.42 | 440.37 | -0.1 | 1.67 | 426.86 | 386.50 | 319.48 | 407.64 | 440.80 | 437.98 | 300.57 | 300.57 |
| Pacific Basin (881) | 151.56 | -1.4 | 137.27 | 113.10 | 146.30 | 113.99 | -1.8 | 1.26 | 153.72 | 139.16 | 115.04 | 146.79 | 115.80 | 183.83 | 127.18 | 162.38 |
| Euro-Pacific (1596) | 204.33 | -1.2 | 185.07 | 152.48 | 197.24 | 172.36 | -0.9 | 1.90 | 206.74 | 187.19 | 154.73 | 197.42 | 173.89 | 209.12 | 173.55 | 182.06 |
| North America (768) | 374.36 | -0.7 | 339.06 | 279.36 | 361.38 | 373.60 | -0.7 | 1.61 | 376.90 | 341.25 | 282.08 | 359.91 | 376.14 | 376.90 | 258.03 | 258.03 |
| Europe Ex. UK (501) | 251.60 | -1.4 | 228.15 | 187.98 | 243.15 | 253.62 | -0.5 | 1.75 | 255.54 | 231.37 | 191.25 | 244.02 | 255.00 | 258.73 | 190.93 | 190.93 |
| Pacific Ex. Japan (396) | 315.46 | -0.4 | 285.71 | 235.41 | 304.50 | 283.05 | -0.1 | 2.65 | 316.59 | 286.64 | 236.94 | 302.32 | 283.39 | 320.65 | 275.02 | 275.02 |
| World Ex. US (1824) | 208.62 | -1.1 | 188.95 | 155.68 | 201.37 | 179.41 | -0.9 | 1.88 | 211.05 | 191.09 | 157.96 | 201.54 | 181.02 | 212.89 | 176.94 | 183.07 |
| World Ex. UK (2251) | 260.03 | -1.0 | 235.52 | 194.05 | 251.00 | 233.44 | -0.8 | 1.56 | 262.69 | 237.84 | 196.60 | 250.85 | 235.47 | 262.69 | 204.12 | 205.56 |
| World Ex. Japan (1980) | 332.21 | -0.8 | 300.89 | 247.91 | 320.67 | 328.46 | -0.8 | 1.92 | 334.63 | 303.15 | 250.59 | 319.73 | 326.30 | 334.83 | 240.08 | 240.06 |
| The World Index (2465) | 264.72 | -0.8 | 239.76 | 197.54 | 255.53 | 238.33 | -0.8 | 1.75 | 267.21 | 241.94 | 199.99 | 255.17 | 240.23 | 267.21 | 207.64 | 208.22 |

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# HSBC Holdings plc

## 1997 Interim Results

| Half-year to | 30 June 1997 | 30 June 1996 |
|---|---|---|
| Profit before tax | £2,623m | £2,321m |
| Profit attributable to shareholders | £1,757m | £1,586m |
| Earnings per share | 65.93p | 60.14p |
| Dividends per share | 20.00p | 15.00p |
| Capital resources | £24,504m | £23,403m |

First half 1997 over first half 1996

- Pre-tax profit up 13% and attributable profit up 11%
- Pre-tax profit up 21% and attributable profit up 19% in Hong Kong dollars
- Earnings per share up 10%
- Dividends per share up 33%
- Total capital ratio 14.2% and tier 1 capital ratio 9.4%

**Comment by Sir William Purves, HSBC Group Chairman**

*"I am pleased to report that in the first half of 1997 HSBC Holdings continued to generate a strong return on shareholders' funds, producing attributable profit of £1,757 million, 11 per cent ahead of the comparable figure in 1996, despite the adverse exchange rate translation impact of stronger sterling. Our capital strength enabled us to make major investments while maintaining dividend growth.*

*"Our Board of Directors has declared a first interim dividend of 20 pence per share, an increase of 33 per cent compared with 15 pence declared in 1996.*

*"Operating profit rose by 19 per cent to £2,402 million mainly as a result of asset growth in Asia, the United Kingdom and North America which more than compensated for the pressure on lending margins. Credit quality remained high and cost discipline was maintained.*

*"We believe that the investments made in the first half of 1997, many of which were explained in our 1996 Annual Report and Accounts, will broaden the Group's platform for growth into the next century.*

*"The smooth transition of Hong Kong to a Special Administrative Region of the People's Republic of China at midnight on 30 June was an important milestone. Our confidence remains high in the economic strength of the Hong Kong SAR, in its role as a financial centre and in our position within the Hong Kong financial community.*

*"I am confident that our committed employees, capital strength, continuing technological development and cost vigilance will enable us to meet the challenges of increasing competition and very rapid changes in our markets and turn these into benefits for our customers and shareholders around the world."*

*The 1997 Interim Report will be sent to shareholders on Friday, 15 August 1997 and copies may be obtained from Group Public Affairs at the address below.*

*Incorporated in England with limited liability*
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